

**EXPORT COMMITMENT AND CHARACTERISTICS
OF MANAGEMENT**

CRITICAL FACTORS FOR SUCCESS

An Empirical Study In The Portuguese and United Kingdom SMES

**—
In A Textile, Clothing and Knitwear Sector**

by

FRANCISCO JOSE DIAS SERRA

A thesis submitted to the University of Plymouth
in full time fulfilment for the degree of

Doctor Of Philosophy

Marketing Group
University of Plymouth Business School

September 2007

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A Textile Sector)**

Francisco Jose Dias Serra

ABSTRACT

The internalisation of small and medium sized firms (SMES) is emerging as an area of research interest as an increasing number of such firms become actively engaged in international activity, often from inception. All available literature reveals that conventional theories were mainly developed to describe the internationalisation of large multinationals companies MNC and not SME(s). This study provides an overview of the macro economics as well as the microeconomic theory that supports the process of internationalisation of firms. Furthermore, each theory was critically analysed in relation to their limitations, as well as their theoretical contribution to the process of the internationalisation of SME. A theoretical model was developed from the literature review. The objective was to investigate which factors (firms' and decision-makers' characteristics), in the Portuguese and UK textile, clothing and knitwear sectors are associated with export performance.

Results indicated consistency in the findings relating to firms' size, competitive advantages, ability to speak foreign languages and nationality, for several dimensions of export behaviour. However, the factors: age, international experience, risk perception, cost perception and profitability perception are not supported as being influential to export performance in this study.

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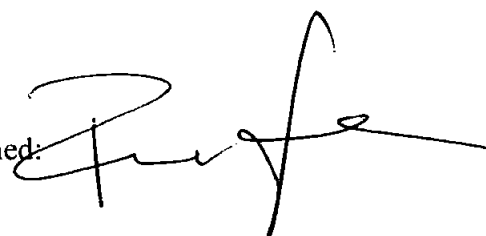
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AUTHOR'S DECLARATION

At any time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award.

Signed:

A handwritten signature in black ink, appearing to be 'Ruf', written over a horizontal line.

Date: 04-02-2008

PUBLICATIONS

The following related work was published during the course of my study for this award:

Serra, F.J. D. 2006. International Entrepreneurship: Critical Factors For Success – An Empirical study of U.K. and Portuguese SME(s) in the textile sector. Proceedings of the Plymouth Business Schools and School of Sociology, Politics and Law. Postgraduate Symposium 2006. Edited by Adrian Barton and Jonathan Lean.

CHAPTER ONE – Introduction To The Study

1.1. Introduction

This thesis is a comparative study of Portuguese and UK small and medium-sized (SMEs) textile, clothing and knitwear firms and their propensity to export. The principal aim is to examine and identify the characteristics of such firms, as well as the characteristics of the decision-makers within them, relating these to their propensity to export.

This chapter introduces the importance, contribution and significance of the study, followed by the delimitations and limitations of the research. The reasons why we have chosen this industry are set out and the thesis structure is outlined, including the order of presentation.

1.2 - Importance and Contribution of the Study

Internationalisation and exporting has become a target for the majority of nations around the world. Portugal and the UK are not exceptions to this. Since their very early existence, these two countries have been involved in transactions between each other and international trade.

Specific benefits of the study revolve around the fact that:

- 1) It is a very important subject for all countries in the world and is extremely topical.
- 2) It is not a well researched area and the number of studies in the field is not expansive.
- 3) There have been no previous studies involving Portugal and the United Kingdom.

The present study also has a number of contributions for many organisations and bodies involved in this subject.

Firstly, in theoretical terms, this study is a significant contribution to the academic and scientific community. These academic and scientific communities only very recently began to question this theme. Therefore a great deal must be done to develop this subject.

Secondly, this work tries to cover some of the gaps that exist, by supplying new elements that allow a generic profile of exporting in SME(s) to be drawn.

Thirdly, any work carried out in the last few years, does not cover the international entrepreneurship of Portuguese and United Kingdom firms in the textile, clothing and knitwear sectors. Therefore it is our intention to do this.

Fourthly, in empirical terms this research attempts to set out the information available, in order to help governments and associations who represent the various sectors, and management in general, to define their policy for the sector.

Finally, and no less importantly, this study makes available information for new research directions to be established.

1.3 - Objectives and Research Questions

A focus for a study can emerge through a literature review, be suggested by colleagues, researchers, supervisors, or be developed through practical experience Creswell (1994).

The overall objectives of this work are:

- To review the literature in order to identify the main factors relating to exporting in SMEs.

- To develop an appropriate model, that can explain which factors are associated with export performance in the Portuguese textile, clothing and knitwear sectors.
- To provide a clear understanding of the main decision-makers' characteristics relating to export performance in the Portuguese textile, clothing and knitwear sectors.
- To provide a clear understanding of the major firm characteristics that are associated with export performance in the Portuguese textile, clothing and knitwear sectors.
- To develop a profile of decision-makers in these sectors in the context of export performance.

The Aim Of These Objectives Was To Answer The Following Research Questions:

1. What is the current state of knowledge on the internationalisation of SME(s)?
2. How do the theories of internationalisation contribute to our understanding of the exporting process of SME(s)?
3. Which characteristics of firms are associated with decision-makers and SME(s)?
4. What is the relationship between decision-makers' characteristics of firms and export performance?
5. What is the relationship between decision-makers characteristics and export performance?

1.4 - Significance of the Study

The significance of this study can be observed from both the theoretical and practical viewpoints. However, it was principally the empirical view that was of most relevance in this study. At the theoretical level, it was our intention to summarise the most relevant literature connected with export commitment and the characteristics of management. It was not difficult to find some relevant material. However, it was scattered among a wide range of different literature sources. Now it is possible to find it all in one source. Furthermore, the structured methodology developed and followed by us, can help new researchers to carry out their work more easily. It was developed in order to facilitate systematic investigation of the process of selecting the most appropriate source of data and data generation methods. This methodology was designed in order to constitute a step forward in relation to former studies. The conceptual model developed by us, in order to analyse which factors are responsible for export performance could be used in other studies. This can be done with or without appropriate modifications. The contribution of this study is to confirm or refute all the conclusions from former studies, and bring fresh ideas for a new understanding of the subject. For the first time, an empirical study was carried out between United Kingdom and Portuguese decision-makers in the textile, clothing and knitwear sectors.

In practical terms the following individuals and institutions can benefit from this study:

The researchers were the first and principal beneficiaries of this study. It was of great significance and the researcher learned a lot from this experience. In addition to the author, many academics may benefit from this study. A lot of information will be available for studies and possible new research. The firms that belong to the sector can obtain a report from this study through feedback and publications of the study's findings.

Other firms outside of the sector may benefit, since they share similar characteristics to those studied by us. It is possible to construct a guide, from the recommendations and concerns that were raised in this study. The government, trade unions, public and private institutions connected with this subject may also benefit.

1.5 - Delimitations and Limitations

This study was carried out in two countries - the United Kingdom and Portugal, and involved export firms in the textile, clothing and knitwear sectors. It excluded firms with less than 20 employees and more than 250 employees. The practical aspects of the study were based on an analysis of a sample of Portuguese and United Kingdom firms. Specific limitations were created by the fact that we have followed a quantitative method and a survey in our study. The choice of the best statistical tests was long and difficult. It involved many steps in order to find the most appropriate test for each case. Nonetheless, several limitations of past research can be identified that are likely to account for many of the inconsistencies in the literature. Firstly, much of the knowledge about successful export activity is fragmented and the tradition of building on previous findings is not well established in the export marketing field (Aaby and Slater, 1989; Cavusgil and Zou, 1994). Many studies have been conducted in isolation by focusing mainly on single factors affecting export behaviour. Attention has been given to areas such as: export motivation, export problems, firm size and export performance; and management's personal characteristics. There have been few efforts to develop and test models to incorporate a relatively wide range of relevant factors. Notable exceptions are the studies by (Cavusgil and Nevin, 1985; Cavusgil and Zou, 1994; and Cooper and Kleinschmid, 1985).

Secondly, the vast majority of exporting studies have primarily examined independently the effects of each variable on export behaviour, without analysing the effects of these independent variables together (Moon and Lee, 1990). However, it is clear, particularly in

the various literature review efforts, that multiple factors play an important role in a firm's export behaviour at the same time. It is thus essential that the interaction among those independent variables considered in the determination of export performance be taken into account.

Thirdly, insufficient attention has often been given to specific characteristics of the export situation. Most studies on export behaviour and performance have failed to control potentially important confounding influences relating particularly to the export market entry mode, export destination, export stage development, or industrial sector. That in turn may cast doubts on the meaningfulness of certain findings.

Fourthly, some of the discrepancies in the literature might also be attributed to differences of the way in which export performance has been assessed (Cavusgil and Zou, 1994; Walters and Samiee, 1990). Aaby and Slater's (1989) review of the export marketing literature suggested that researchers have followed two fundamental approaches. One stream of research pursues the distinction between exporting and non-exporting firms, (e.g. Cavusgil and Naor, 1987; Cavusgil and Nevin, 1981; Yaprak, 1985). This approach is based on the implicit assumption that export per se attaches an element of success to the firm. Despite the importance of this set of studies, one innate deficiency in this approach is that potentially significant differences between different exporter groups in terms of export performance have not been taken account of (Aaby and Slater, 1989).

Another approach focuses on export companies and measures export performance according to some criteria pertaining to the export position of the firm. The most commonly used criteria are: export-to-total sales ratio (Beamish and Munro, 1986; Dominguez and Sequeira, 1993), export sales volume (Czinkota and Johnston, 1983; Madsen, 1989), export sales growth (Cooper and Kleinschmidt, 1985; Madsen, 1989), and

export profitability (Bilkey, 1978; Dominguez and Sequeira, 1993). Importantly, there appears to be a considerable consensus, especially among recent studies, on the use of multi-measure approaches, e.g. (Beamish and Munro, 1987; Craig and Beamish, 1989; Dominguez and Sequeira, 1993; Samiee and Walters, 1990). This tendency results in export evaluation on the basis of a single indicator and is likely to capture only a particular aspect of the construct, (Dominguez and Sequeira, 1993). Nevertheless, there has been serious concern about the use of the operational measure predominantly employed in the literature as appropriate export performance indicators (Aaby and Slater, 1989). This leads us to scrutinise the issue of export performance assessment more closely.

1.6– Why Textile, Clothing and Knitwear Industry?

- The textile, clothing and knitwear trade is a major sector, vital to the economy of many nations of the industrialised and the less developed economies. It provides foreign exchange earnings and contributes to both employment and wealth generation.
- In the beginning of the 1990s developing countries overtook the industrialised world in textiles and clothing exports; textiles being responsible for 50% of exports, and clothing for around 70% of exports around the world.
- Many of the small developing and less developed countries are highly dependent on the sector. It accounts for more than 50% of total employment and more than 90% of industrial exports.
- The textiles, clothing and knitwear industry is dominated by a vast number of small and medium-sized enterprises (SMEs).

Today the industry accounts for almost 6% of total exports, and in Europe almost two million people are employed in the sector.

1.7 - Why Portuguese Textiles, Clothing and Knitwear Industry?

It is one of the most traditional and oldest established sectors in Portugal, originating in the XVIII century. In his theories of Comparative Advantages, David Ricardo affirmed “England must specialise in textiles and Portugal in wine.” Is it true today?

- It is the most representative sector in terms of Portuguese exports. It represents around 20% of total Portuguese exports. This means it is the main cause for the reduction of Portuguese commercial balance.
- It is responsible for a very high number of employees working in this sector.
- These sectors are located in specific geographical areas, and the closure of these firms could represent an economic catastrophe for these areas.
- Among the European countries, Portugal is one of the biggest exporters.
- To help these sectors to recover in order, they can contribute to the development of Portugal and for the well being of the people in general.

1.8 - Why United Kingdom Textile, Clothing and Knitwear Industry?

- The textile and clothing sectors in Portugal have been following a trajectory very similar to the U K. However, the process in Portugal is slower.
- Both in the U K and in Portugal the sectors have been losing a lot of employees.
- The process in the UK is quicker than in Portugal, which can represent a good example for Portugal.
- Both countries are no more competitive in cheap-labour work.
- The UK. has begun to transfer its production to foreign countries with cheap- labour for many years. Portugal has begun this process very recently.

- Both countries have to operate in highly competitive ways such as productivity, innovation, quality, creativity, design, and fashion. The UK is more advanced than Portugal.
- Portugal can learn a lot from the experiences of the UK because it has to do what the UK has been doing for a long time; safeguarding their typical and cultural differences.

1.9 - Structure of the Thesis and Order of Presentation

Chapter One presents the context and general focus of the study and provides a picture of the research problems, importance and contribution of the study, and the reasons why the textile, clothing and knitwear sector was chosen.

Chapter Two aims to provide an overview of the principal characteristics of the textile, and clothing industry. Firstly, there is an exhaustive investigation of the characteristics of the industry in a worldly context. The principal characteristics of the sector were taken into consideration as well as the most important contributions to the economy of the world in addition to the well-being of the populations. Secondly, the characteristics of the European textile and clothing industry are examined. The most important contributions of the industry to the European economy are referred to. Thirdly, the characteristics of the Portuguese textile and clothing industry are examined and there is references to the principal contributions of the industry to the Portuguese economy. Finally, the UK textile and clothing industry is examined, as well as their principal contributions to the UK economy.

In **Chapter Three** the importance and the contributions of small and medium sized firms [SME(s)] to the economic growth development and prosperity of the countries are

investigated. Secondly, definitions of SME(s) according to different authors, as well as the definition adopted by us, are set out. Finally, the principal advantages and disadvantages of SME(s) are discussed.

Chapter Four aims to provide an overview of the principal theories of internationalisation. It reviews the literature regarding internationalisation, and the notion of it is introduced according to different conceptual approaches.

The theories reviewed are the eclectic paradigm, the Uppsala School / psychic distance, the network theory and finally international entrepreneurship. Each theory will be critically analysed and their contribution to the process of internationalisation of SME(s) assessed.

Secondly, it will introduce a review of the literature connected with firms' characteristics, decision-makers' characteristics as well as the demonstrable research findings that support the literature. Thirdly, it aims to generate the research hypotheses that will be tested to distinguish which factors are responsible for the propensity of firms to export. Finally, the model will be introduced as well as the principal variables that form it.

Chapter Five contains an in depth discussion and justification of the research approached and describes the methodology adopted. The theoretical and methodological principles which underpin this are discussed. Secondly, different types of research strategies are considered as well as the different kinds of theoretical research designs that could be utilised. Thirdly, methods of obtaining primary data, and the advantages and disadvantages of each method are discussed. Fourthly, the question of how to analyse the questionnaire is addressed. The questionnaire development process is described and the empirical results relating to response rates obtained in the study are presented. Finally, the research methodology followed in statistic analysis are introduced.

Chapter Six explores the group profiles based on the findings from the questionnaire. Firstly, the descriptive statistics obtained from the empirical study are presented. Descriptive statistics are used to explore the main characteristics of each group. Secondly, the most significant differences between Portugal and the United Kingdom are summarised and analysed in detail. Finally, a table is constructed as well as a t-test to explore and analyse the most significant differences between the two countries.

Chapter Seventh explores those characteristics which are responsible for the propensity to export in both countries. Firstly, the stepwise multiple regression that is used in the present project is reviewed. Secondly, the test hypothesis used in the present study is discussed in detail and there is a detailed overview of the hypothesis testing results. Thirdly, the principal components' analysis techniques are discussed and the specific parameters of the methods employed in this research are referred to. Then, logistic regression is used, followed by reduced logistic regression. Finally, a summary of the findings achieved in this chapter are referred to.

Chapter Eight is devoted to the discussion of findings and conclusions of the study.

The limitations and implications of the present study for managers and public policy makers are discussed. Finally, potential avenues and suggestions for further research are presented as well as specific areas most worthy of contribution.

CHAPTER TWO – Characterisation of the Textile and Clothing Industry.

2.1 –Introduction

This chapter introduces the importance of the textile and clothing industry to the world, followed by their importance to the European Community and finally to the two countries in question in this study – Portugal and the U K. Furthermore, there is a deep analysis of the general characteristics of the clothing and textile industry globally, then in the European Union, and finally in Portugal and the United Kingdom specifically. In addition to this, empirical evidence is presented in several tables supporting the theoretical evidence. Next, a small literature review of the themes is discussed as well as the possible solutions to the problem. Finally, there is a brief summary of the chapter.

2.2 – The Global Situation of the Textile and Clothing Industry

2.2.1 - General Characteristics

The textile and clothing industry (T/C industry) is one of the most highly globalised industries in the world, and therefore constitutes a very important means of income and employment for many countries, both developing and developed. (Enterprise Papers No. 2, 2001). It is very diverse and heterogeneous due to its products being used by virtually everybody. The activities range from the production of raw materials to the manufacture of a very large variety of semi-finished and finished products. This industry is intertwined with several other industries, such as the agricultural sector (which supplies cotton and wool among others) and the chemical sector (which provides a wide range of man-made fibres such as nylon and polyester (Enterprise Papers No.2, 2001)). These two sectors are frequently referred to as a “traditional industry” due to the fact that they are of the oldest sectors in the history of industrial development. Contrary to their current position, these

sectors have traditionally been highly protected sectors. However, nowadays they have been greatly affected by the new phenomenon of globalisation. The United States and Europe are the biggest producers of textile and clothing products, as well as being the countries that import of these kinds of products.

The textile industry is generally more capital intensive than the clothing industry, and highly automated, principally in more developed countries. Furthermore, it is less flexible in terms of adjusting to consumer demands during the season than the clothing industry.

The clothing industry is a labour-intensive, low-wage industry, supplying an innovative and high-quality fashion market. It offers entry-level jobs for non-qualified labourers in developed as well as developing countries. It is a relatively modern sector technologically and these features of the industry have made it suitable as the first rung on the industrialisation ladder in poor countries. Simultaneously, the sector has high value-added segments where design, research and development (R&D) are very important competitive factors (Nordas, 2004).

The two sectors are closely related both technologically, and in terms of trade policy, and at a micro level they are increasingly integrated through vertical supply chains.

2.2.2 - World Market Trends

The major regional flows of textiles in the world in the year 2002 was inter – Asian countries and Intra-Western Europe.

Table 2.1 - Major Regional Flows in the World of Textiles, 2002
(\$Billions and percentage)

| | Value | | Annual % Change | | |
|---|-------|------|-----------------|------|------|
| | 2002 | % | 95-00 | 2001 | 2002 |
| Inter -Asia | 38,0 | 0,25 | -1 | -10 | 3 |
| Intra-Western Europe | 36,4 | 0,24 | -4 | -5 | -1 |
| Western Europe to C. Europe/Baltic States / CIS | 8,9 | 0,06 | 4 | 9 | 9 |
| Asia to North America | 8,3 | 0,05 | 8 | -7 | 13 |
| Asia to Western Europe | 7,9 | 0,05 | 1 | -9 | 1 |
| North America to Latin America | 5,7 | 0,04 | 20 | 2 | 7 |

Source: CEPS and WIIW, 2005

The revenue for inter – Asian countries was \$38 billion, while in Intra-Western Europe it was \$36 billion. In second place come regions like Western Europe to C. Europe / Baltic States, Asia to North America and Asia to Western Europe, with revenues of around \$8 billion, the value was significantly lower compared to Asian countries or Intra-Western Europe. Finally, come the transactions between North America and Latin America with a very insignificant revenue figure of \$5, and \$7 billion. However, instead of looking at absolute values we can look at the annual % changes where the most significant variations occurred between Asia to North America with a variation of 13%, between Western Europe to C. Europe/Baltic States with a variation of 9%, and finally North America to Latin America with 7%.

While in the former table, the major regional flows in the world of textiles were analysed, in the next table we analyse the major regional flows in export of clothing.

Table 2.2 - Major Regional Flows in the Export of Clothing, 2002
(\$ Billions and percentages)

| | Value | | Annual % Change | | |
|---|-------|------|-----------------|------|------|
| | 2002 | % | 95-00 | 2001 | 2002 |
| Inter -Asia | 45,6 | 0,23 | 0 | 0 | 6 |
| Intra-Western Europe | 34,5 | 0,17 | 7 | -5 | -1 |
| Western Europe to C. Europe/Baltic States / CIS | 22,8 | 0,11 | 4 | -3 | -4 |
| Asia to North America | 20,9 | 0,10 | 4 | -6 | 4 |
| Asia to Western Europe | 19,7 | 0,10 | 22 | -4 | 2 |
| North America to Latin America | 9,6 | 0,05 | 6 | 10 | 6 |

Source: Source: CEPS and WIIW, 2005

The major regional flows in the export of clothing in the year 2002 were between Inter – Asian countries (\$45,6 billions), followed by Intra-Western Europe (\$34,5 billions). Secondly, are the transactions from Western Europe to C. Europe / Baltic States (\$22,8 billions), from Asia to North America (\$20,9 billions), and from Asia to Western Europe (\$19,7 billions). Finally, with a less significant value, come the transactions between North America to Latin America (\$9, 6 billions). In percentage terms the biggest increases in clothing trade were between inter – Asian countries (6%), and North America to Latin America (6%), followed by trade from Asia to North America (4%) and finally Asia to Western Europe (2%). In the other regions the values registered in the transactions were negatives. For more details see Table 2.2

2.2.3 - The Main Dynamics of the Sector

Again transformations in the world economy have been changing the classical approach of economic agents, the markets, the productive factors and the products, which has translated into deep modifications in the clothing and textile sectors. Consequently, the transformations have been occurring at the level of new world geography, new configurations of the value chain, technological changes, and implementation of innovations.

Supply Chains in Textiles and Clothing - the new configuration of value chain. The supply chain in the textile industry is complex. Frequently it is relatively long, with numerous parts involved. Therefore, management of the supply chain is necessary in order to achieve a quick response. Globalisation of the textile and clothing industry supply chain is intensifying. There are many companies sourcing components from overseas or moving production to countries with cheaper labour costs. Furthermore, with the intensification of the globalisation and the desire to achieve greater profits through reduced purchase prices, the industry has moved away from partnering between organisations (Jones, 2002). In order to improve supply chain management a number of strategies have been employed in the textile and clothing supply. They include quick and accurate responses (Chandra and Kumar, 2000); JIT (just-in -time) is also common in this industry, principally finished goods throughout the supply chain. The challenge that the textile and clothing industry face is to either focus on speed and efficiency through the supply chain to replenish a pre-determined stockpile or to produce exact quantities in response to servicing customer's orders effectively.

Whereas previously the most important stage was at the start of the production process, with the control of supply of quality raw materials and the conception of the product, the focus has now moved to the end of the production process, with the protection and

development of brands, the resolution of inefficiencies of traditional delivery or the combat at increasing power of the large-scale distribution. This has been happening with all the activities that are long standing and many have become out-dated. Everything that can influence the product life cycle, such as technological capacity, conception of new products and design can determine the success of products.

The number of employees in the textile industry in the period analysed (1995-2002) is presented in table 2.3 and shows a decreased in all countries, with the exception of Italy and Portugal. In 1995 Italy employed 332 000 workers and in 2005, 335 thousand workers, while Portugal in 1995 employed 99 thousand and in 2005 it employed 104 thousand workers. In Canada the number of employees employed in the sector remained constant. In conclusion, it can be said that, in general, countries lost employees in the textile industry. Table 2.4 presents similar data on the clothing industry.

Table 2.3 -Number of Employees Employment in Textiles Countries (thousands)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 20001 | 2002 |
|---------------|------|------|------|------|------|------|-------|------|
| Canada* | 54 | 55 | 51 | 60 | 59 | 54 | 51 | 54 |
| United States | 688 | 660 | 653 | 642 | 614 | 595 | 539 | 489 |
| France** | 134 | 129 | 126 | 126 | 123 | 119 | 116 | 109 |
| Germany | 261 | 209 | 188 | 194 | 184 | 168 | 154 | 146 |
| Italy | 332 | 340 | 326 | 351 | 334 | 352 | 344 | 335 |
| Portugal | 99 | 87 | 83 | 101 | 101 | 100 | 106 | 104 |
| Spain | 108 | 91 | 94 | 99 | 99 | 101 | 101 | 99 |
| UK** | 188 | 185 | 184 | 178 | 162 | 149 | 135 | 120 |

Source ILO (2004)

*Data based on establishment surveys

**Data based on official estimates

The number of employees in the clothing industry from 1995 to 2002 decreased in all countries, with the exception of Portugal, which employed exactly the same number, 143 thousand, in 1995 and the same in 2005.

Table 2.4 - Employment in Clothing Countries (thousands)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 20001 | 2002 |
|--------------------|------|------|------|------|------|------|-------|------|
| Canada | 92 | 80 | 92 | 98 | 97 | 85 | 94 | 80 |
| United * States | 814 | 743 | 700 | 639 | 556 | 497 | 427 | 358 |
| France** | 137 | 128 | 121 | 115 | 106 | 95 | 87 | 81 |
| Germany | 122 | 133 | 128 | 120 | 114 | 117 | 118 | 105 |
| Greece | 66 | 65 | 60 | 52 | 50 | 50 | 51 | 45 |
| Italy | 274 | 243 | 235 | 229 | 209 | 206 | 206 | 198 |
| Portugal | 143 | 131 | 124 | 176 | 164 | 156 | 151 | 143 |
| Spain | 117 | 114 | 120 | 111 | 126 | 123 | 125 | 116 |
| UK** | 173 | 165 | 163 | 159 | 133 | 109 | 88 | 78 |

Source ILO (2004)

*Data based on establishment surveys

**Data based on official estimates

Technological alterations – vertical integration of the sector was changed by technological developments and by the increased capacity of the production equipment. The increased offer of intermediary products, as well as the need to diversify production has driven firms to specialise in an elementary activity of the textile process (focussing on core business). Therefore, there should be disintegration of big companies and reorganisation into smaller ones, to develop their activity independently. Sometimes, they subcontract specialised firms in certain operations, or go to the market of intermediary products or simply disinvest.

Innovation implementations – technological evolution has been applied in different ways to the several different phases of the chain. The changes provoke alterations in the type of fibres used and new fibres are introduced.

Management Strategies - with the globalisation of the markets, and principally in sectors with high exhibition to the international commerce, management strategy has to adopt an active attitude.

Consequently, the European industries have followed the focus strategy on core business and the diversification of products and markets, in the following ways:

Up-grading production – associated with attributes of products manufactured in terms of design, image brand and quality, principally the eco-quality.

Intensification of movement process – this process began in the early 1970s and the processes of involving more intensive hand made work to countries with cheaper manual labour costs, has moved through the:

- the acquisition of products directly from suppliers own collections.
- The sub-contraction of different intermediary production stages, the going technological capacity of the management of such sub-contracted firms must be emphasised.
- joint-ventures.
- own productive unities.

Sub-contraction is limited almost only to production CMT (cut, make and trim) with the execution of design and the choice of materials under remaining control of the suppliers. In

relation to low range products the process of OPT (outward processing trade) is always more frequent in Asian countries. Similarly, on a world scale, the phenomenon of sub contraction and external production constitute nowadays an irreversible tendency, principally in the clothing sector, that began with basic products and extended progressively to product of medium and high quality.

Concentration – has taken place through fusions and acquisitions in order to obtain critical dimension. Large investments have to be made in the development of a strong brand and to obtain scale economies at the level of production and distribution. The biggest world groups own the principal brands and the sector becomes more and more concentrated. The relative fragmentation of the sector in European countries is due to the geographic and cultural diversity of regions. Distribution is fundamental to the critical meaning of the sector and for the strategic definitions.

- The big suppliers, who have preferences for less expensive ranges (with the supplier label and white products), become more and more interested in taking advantage of the suppliers to negotiate selling conditions and simultaneously compete with the production via price.
- The brands enjoy a direct relationship with the consumer, through chain stores or franchising contracts that allow them the association with a brand image, for example (Zara, Cortefield, Benetton, Lanidor, Stefanel). The products belonging to a quality range, use independent shops associated with stylists or distribution channels recognised in the consumer markets to sell their products (Ana Salazar, Prada, Louis Vuiton, Moschina, Ayer).
- Another strategy used is to reduce the distance between product and/or consumer, through catalogue sales (Suisse, La Redoute and Cadena). For the products to be

competitive the producers have to respond to customers, be personal and reduce their standard times. This can be done through:

- Utilisation of intelligent labels (interactive electronic labels that provide information about the product, price and instructions for use).
- Orientation to the market, based on data that allows the transformation of seasonal collections into ever-changing collections.
- Electronic kiosks that must be located in several places (like multi-banks) and that can give information about fashion shows, products and home deliveries.
- Development of relational piece commerce, through the collection of consumer or retail data, obtaining a better understanding of the behaviour of the consumer and producers, in order to offer a mix of products that satisfies the clients.
- Developing communications technologies.
- Appearance of “shops without stops” taking advantages of new information technologies and hence establishing connections among shops, stores and production unities.
- Major orientation of the production to the consumer, demanding a speedy response to the varying demands by the retailers.

Strategic analysis clothing sector – One of the present tendencies in the clothing sector is globalisation. The firms that opt for an internationalisation on a large scale have twofold aims. They aim to be profitable through the big investments necessary to the development of a strong brand and also benefit from scale economies at the level of production and distribution. Thus, the sector that was very segmented has become concentrated in big industrial groups.

2.2.4 – Overview

As we have seen above, the industry is in complete transformation, with shifting global patterns affecting its structure and operation. A larger number of papers have recently emerged that study the global problem. However, none have studied in depth the twin challenge facing the industry in the new entrants from European countries, whose industries are confronted with a potentially painful “twin squeeze” both for their export markets to the EU and rising domestic penetration through imports of low-cost clothing.

Recent studies have attempted to put some limits on the potential downside from the agreement on textiles and clothing (ATC) liberalisation. One of the most important collaborations came from the German textiles industry (EPPA/CEPS, 2001) which concluded that the general EU impact of quota (removal in 2005) could be limited to four textiles categories (CEPS and WIW, 2005). Recently the “revisionist” literature has emerged in the USA basically regarding research at the Harvard Center for Textiles and Clothing Research. The conflict between pessimistic and realist interpretations has provided different interpretations of new orientations and therefore created controversy in this matter. The revisionist argument is based on the following stance. The textile and clothing industry has been under discussion in respect to two conflicting forces in the last decade. One of them results from the Uruguay Round Agreement, in which is included the Agreement on Textiles and Clothing (ATC). Liberation resulting from this agreement seems likely to further enable very low-wage countries (China, India and Indonesia) to expand their exports at the expense of production in high-wage countries (EU members) but also in medium-wage countries (EU’s new members and future candidates) (CEPS and WIW, 2005).

The second force affecting the industry has been information technology (IT). It has been conventional to see the global influence of IT “the death of distance” in trade, with far developing countries. However, looking at the implications for the US industry, it seems that the combination of the growth of “lean retailing”, which entails small stocks of goods

at stores, and the increase of product varieties, is leading to more numerous replenishment of retail inventories (CEPS and WIIW, 2005). Production proliferation together with retailing have been promoted by improving IT. They improve retailers' knowledge of their sales patterns and reduce the cost of inventory management and re-ordering (CEPS and WIIW, 2005).

But, with this second force acting on the industry, it does not affect all clothing and textile categories equally.

2.3 - The Textiles and Clothing Industry in the European Union

2.3.1-Recent Evolution of the Sector

The production of all the sub-sectors of the textile and clothing industry in the EU decreased between 1995 and 2005, with the exception of industrial textiles. However, over the past two decades, European productivity has increased. This is largely due to the constant process of restructuring and modernization of the sector. New technologies were introduced, which allowed new production techniques, which in turn placed the EU industry as a leader in the development of new products, such as man-made textile fibres or technical products.

2.3.2 – Structural Characteristics of the Sector

Economic importance - In the European Union (EU) the textile and clothing sector is a very important industry, with a turnover of €198 billions produced in roughly 156 866 enterprises, employing more than 2 million people and with an investment of €5,1 billions (see table 2.5). The production of the two sectors contributed roughly 4%, and roughly 7% of the total EU manufacturing employment respectively. Besides, they are concentrated in the most populated countries of the E. U. which are Italy, the U. K, France and Germany. These countries alone account for about three quarters of E.U. production in textiles and clothing (Eurostat, 2003). Southern countries like Portugal,

Italy, Greece, and, to a lesser extent, Spain and France, contribute relatively more to the total clothing production. Northern countries, such as the U. K., Germany, Belgium, the Netherlands, Sweden and Austria, contribute more to textile production (Eurostat, 2003).

Table 2.5 EU – 25 Structure Data

| | Year: 2005 | % Growth 2004 / 2005 |
|-----------------------------|------------|-------------------------|
| Total employment | 2, 218,729 | -6,9 |
| Total number of firms | 154,866 | - 6,1 |
| Turnover (billions euros) | 198,0 | - 4,8 |
| Investment (billions euros) | 5,1 | - 3,3 |

Source: EUROTEx (estimates with Man-Made Fibres and small companies)

Investment – In terms of investment, distribution across the EU countries corresponds to the size of respective countries. The exception is to Portugal, ranking very high. Textile countries generally perform better than clothing producing countries (Enterprise Papers No.2, 2001).

Geographic Concentration – According to Euratex (February, 2000), in combining indicators “ turnover”, “ value added” and “ employment”, Italy is the principal textile and clothing country in Europe, with a 31% share of the EU total, followed by the United Kingdom (15%), Germany (14%), France (13%), Spain (9%), and Portugal (6%).

Predominance of Small and Medium Firms - Europe's textile and clothing industry is clearly dominated by a vast number of small and medium-sized firms, the majority of the enterprises (60%) have less than 50 employees and are privately owned. According to the Eurotax their average is 19 employees. However, Europe has the six biggest companies / groups of the world's thirty-sixth biggest textiles enterprises (enterprises whose turnover exceeds 1 bn Euros) (Enterprise Papers No.2 , 2001).

Fragmented Industrial Sector – It is a highly fragmented sector and it is necessary to compensate for this disadvantage by increasing cooperation along the textile and clothing chain, both in horizontal and in vertical terms. (Enterprise Papers No.2 , 2001).

Employees - According to Eurotex, (2005) the EU textile and clothing industry lost more than a million employees over the last ten years. The reason for this loss is due to the importation of products at low prices from the Far East. In these countries the products are from 20% to 40 % cheaper. Consequently, the European retailers began to buy products directly from markets that produce at a low price and / or transferred their production to these countries. Between 1980 and 1995 the textile sector lost 47% of its employees and the clothing sector 40%. In the light of this new reality, EU industry only remains competitive due to its higher productivity, innovation, quality, creativity, design and fashion.

Production – The following Table 2.6 shows the textile production in European countries between 2000 and 2005. As can be seen the production decreased in all products over the period analysed. Only retail sales increased over the period. This means European countries produce less but sell more, decreasing the price of the goods imported.

Table 2. 6 - Textile Production in European Countries Between 2000 and 2004 (%)

| | Cons. Price | Import Prices (Extra + Intra) | | Retail Sales | Production | |
|-------------------|----------------|------------------------------------|-------|-----------------|------------|-------|
| 2004 - 2000 | CI FW | TEX | Cloth | T/C FW / LG | TEX | Cloth |
| EU- 25 | -0.5 | -26.7 | -30.6 | 8.0 | -14.0 | -23.2 |
| EU- 15 | -0.4 | n. a. | n. a. | 7.1 | -15.1 | -24.4 |
| UK | -21.4 | -22.5 | -3.7 | 41.6 | -22.7 | -33.8 |

Source: CAST- 2005

Analysing the clothing production in European countries between 2000 and 2004, it decreased in all the countries. The retail sales increased in all countries, registering the highest value in the U. K. The prices stayed very high in Portugal, although the price of all the goods imported decreased.

Table 2.7 - Clothing Production (%)

| | Cons. Price | Import Prices (Extra + Intra) | | Retail Sales | Production | |
|-------------------|----------------|------------------------------------|-------|-----------------|------------|-------|
| 2004 - 2000 | CI FW | TEX | Cloth | T/C FW / LG | TEX | Cloth |
| Portugal | 4.5 | -7.6 | -2.3 | 0.5 | -12.1 | -16.2 |
| E. U.- 25 | -0.5 | -26.7 | -30.6 | 8.0 | -14.0 | -23.2 |
| E. U.- 15 | -0.4 | n.a. | n.a. | 7.1 | -15.1 | -24.4 |
| U. K. | -21.4 | -22.5 | -3.7 | 41.6 | -22.7 | -33.8 |

Source: CAST- 2005

Productivity – labour productivity is relatively low, being at E. U. level on average around 50% of the production. Personnel costs are also low, however, the textile production is much higher than clothing one, because it is a more advanced techonological sector with more capital-intensive (Enterprise Papers No.2 , 2001).

2.3.3 - European Trade Balance

As can be seen in the following table, the textile exports between 2002 and 2005 are higher than the imports. As a result, the balance is positive for the textiles. However, if we analyse the clothing sector, the imports are always greater than the imports. As can be seen in the table the balance is negative every year. Analysing the textiles and clothing together, the balance is again negative every year. This means, the imports of clothing are greater than the exports of textiles.

| TABLE 2.8 EU-25 EXTERNAL TRADE | | | | | |
|---------------------------------------|-----------|---------|---------|---------|-----------------------|
| | mio euros | | | | % growth 2001/2004 |
| | 2002 | 2003 | 2004 | 2005 | |
| Textiles | | | | | |
| Imports | 17.660 | 16.902 | 17.531 | 17.908 | 1.4 |
| Exports | 21.434 | 20.566 | 21.351 | 21.080 | -1.7 |
| Balance | 3.774 | 3.664 | 3.820 | 3.172 | |
| Clothing | | | | | |
| Imports | 46.532 | 47.197 | 49.788 | 53.531 | 15.0 |
| Exports | 14.801 | 13.937 | 14.167 | 14.717 | -0.6 |
| Balance | -31.731 | -33.260 | -35.621 | -38.814 | |
| Textiles/clothing | | | | | |
| Imports | 64.191 | 64.099 | 67.320 | 71.440 | 11.3 |
| Exports | 36.235 | 34.503 | 35.518 | 35.797 | -1.2 |
| Balance | -27.956 | -29.596 | -31.802 | -35.643 | |
| Source: Eurostat | | | | | |

Table 2.9 - The Top 10 Suppliers in Textiles of European Countries

| TOP 10 EU-25 SUPPLIERS IN TEXTILES | | | | | | | |
|---|--------------|---------------|---------------|---------------|---------------|-----------------|-----------------------|
| N° | Origin | mio euros | | | | % Share 2005 | % growth 2002/2005 |
| | | 2002 | 2003 | 2004 | 2005 | | |
| | World | 17.660 | 16.902 | 17.531 | 17.908 | 100.0 | 1.4 |
| 1 | China | 2.462 | 2.710 | 3.182 | 3.974 | 22.2 | 61.4 |
| 2 | Turkey | 2.444 | 2.532 | 2.777 | 2.878 | 16.1 | 17.7 |
| 3 | India | 1.850 | 1.791 | 1.955 | 2.011 | 11.2 | 8.7 |
| 4 | Pakistan | 1.246 | 1.278 | 1.406 | 1.239 | 6.9 | -0.5 |
| 5 | Switzerland | 1.167 | 1.092 | 999 | 921 | 5.1 | -21.1 |
| 6 | USA | 1.332 | 1.040 | 872 | 883 | 4.9 | -33.7 |
| 7 | South Korea | 1.085 | 929 | 830 | 775 | 4.3 | -28.6 |
| 8 | Japan | 683 | 564 | 536 | 503 | 2.8 | -26.4 |
| 9 | Taiwan | 616 | 500 | 427 | 472 | 2.6 | -23.3 |
| 10 | Romania | 267 | 325 | 380 | 402 | 2.2 | 50.4 |
| Source: Eurostat | | | | | | | |

As can be seen in the Table 2.9 the principal suppliers of textiles of European countries is China, followed by Turkey, India, Pakistan, Switzerland, USA and South Korea. If we look in terms of % variations of importations between 2002 and 2005, there has been an increase for China (61.4 %), Turkey (17.7%) and India (8.7%). For the other countries the percentage of growth is negative as can be seen in Table 2.9.

Table 2.10 - The Top 10 Textile Markets Of European Countries

| TOP 10 EU-25 MARKETS IN TEXTILES | | | | | | | |
|---|--------------|---------------|---------------|---------------|---------------|-----------------|-----------------------|
| N° | Destination | mio euros | | | | % Share 2005 | % growth 2002/2005 |
| | | 2002 | 2003 | 2004 | 2005 | | |
| | World | 21.434 | 20.566 | 21.351 | 20.080 | 100.0 | -1.7 |
| 1 | USA | 2.967 | 2.656 | 2.719 | 2.670 | 12.7 | -10.0 |
| 2 | Romania | 1.976 | 2.122 | 2.233 | 2.152 | 10.2 | 8.9 |
| 3 | Turkey | 1.556 | 1.482 | 1.663 | 1.496 | 7.1 | -3.9 |
| 4 | Tunisia | 1.561 | 1.465 | 1.438 | 1.320 | 6.3 | -15.5 |
| 5 | Morocco | 1.400 | 1.331 | 1.293 | 1.221 | 5.8 | -12.8 |
| 6 | Switzerland | 1.147 | 1.085 | 1.109 | 1.097 | 5.2 | -4.4 |
| 7 | Hong Kong | 906 | 880 | 942 | 936 | 4.4 | 3.4 |
| 8 | Russia | 621 | 635 | 699 | 800 | 3.8 | 28.7 |
| 9 | Bulgaria | 615 | 680 | 719 | 710 | 3.4 | 15.5 |
| 10 | China | 477 | 511 | 539 | 627 | 3.0 | 31.6 |
| Source: Eurostat | | | | | | | |

The principal markets of the European textiles are in Romania, Turkey, Tunisia, Morocco and Switzerland. Between 2002 and 2005 sales decreased for almost all countries. The exception was Romania (increased 8.9%), Hong Kong (increased 3.4%), Russia (increased 28.7%), Bulgaria (increased 15.5%) and finally China (increased 31.6 %).

Table 2.11 - The Top 10 Suppliers in Clothing of European Countries

| TOP 10 EU -25 SUPPLIERS IN CLOTHING | | | | | | | |
|-------------------------------------|--------------|---------------|---------------|---------------|---------------|--------------|--------------------|
| N° | Origin | mio euros | | | | % Share 2005 | % growth 2002/2005 |
| | | 2002 | 2003 | 2004 | 2005 | | |
| | World | 46.532 | 47.197 | 49.788 | 53.531 | 100.0 | 15.0 |
| 1 | China | 9.333 | 10.219 | 11.484 | 16.855 | 31.5 | 80.6 |
| 2 | Turkey | 6.925 | 7.410 | 7.675 | 7.993 | 14.9 | 15.4 |
| 3 | Romania | 3.757 | 3.834 | 3.840 | 3.602 | 6.7 | -4.1 |
| 4 | Bangladesh | 2.744 | 3.113 | 3.719 | 3.530 | 6.6 | 28.6 |
| 5 | India | 2.322 | 2.380 | 2.478 | 3.233 | 6.0 | 39.2 |
| 6 | Tunisia | 2.908 | 2.742 | 2.602 | 2.455 | 4.6 | -15.6 |
| 7 | Morocco | 2.612 | 2.494 | 2.427 | 2.252 | 4.2 | -13.8 |
| 8 | Hong Kong | 2.345 | 2.107 | 1.962 | 1.703 | 3.2 | -27.4 |
| 9 | Indonesia | 1.476 | 1.360 | 1.336 | 1.196 | 2,2 | -19,0 |
| 10 | Bulgaria | 897 | 994 | 1.074 | 1.091 | 2,0 | 21,6 |
| Source: Eurostat | | | | | | | |

The principal suppliers in clothing of European countries is China followed by Turkey, Romania, Bangladesh, India, Tunisia, Morocco and finally Hong Kong. The most significant % growth between 2002 and 2005 were registered in China (80.6%), Turkey (15.4%), Bangladesh (28.6 %), and India (39.2%).

The principal destinations of European clothes are Switzerland, USA, Russia, and Japan. The highest % sales growth is in Russia (59.8%); next Ukrainia (33.1%); and then Switzerland (5.2%).

Table 2.12 - The Top 10 Markets In Clothing For European Countries

| TOP 10 EU-25 MARKETS IN CLOTHING | | | | | | | |
|----------------------------------|-------------|-----------|--------|--------|--------|-----------------|-----------------------|
| Nº | Destination | mio euros | | | | % Share 2005 | % growth 2002/2005 |
| | | 2002 | 2003 | 2004 | 2005 | | |
| | World | 14.801 | 13.937 | 14.167 | 14.717 | 100.0 | -0.6 |
| 1 | Switzerland | 2.411 | 2.456 | 2.462 | 2.536 | 17.2 | 5.2 |
| 2 | USA | 2.425 | 2.151 | 2.073 | 2.026 | 13.8 | -16.4 |
| 3 | Russia | 1.047 | 1.030 | 1.291 | 1.673 | 11.4 | 59.8 |
| 4 | Japan | 1.442 | 1.331 | 1.248 | 1.251 | 8.5 | -13.3 |
| 5 | Norway | 721 | 669 | 652 | 679 | 4.6 | -5.9 |
| 6 | Romania | 761 | 711 | 742 | 654 | 4.5 | -14.0 |
| 7 | Hong Kong | 554 | 487 | 500 | 559 | 3.8 | 0.9 |
| 8 | Tunisia | 518 | 448 | 405 | 368 | 2.5 | -29.0 |
| 9 | Bulgaria | 312 | 336 | 343 | 309 | 2.1 | -1.0 |
| 10 | Ukraine | 227 | 210 | 251 | 302 | 2.1 | 33.1 |

Source: Eurostat

2.4 - The Portuguese Textile Sector

2.4.1 -Historical Perspective

The textile and fashion industries have a long tradition in the economic structure of Portugal. The first textile firms were established in the 18th century and from the start they showed a strong foundation in terms of both the number of employees and internationalisation. The industry developed more and more, and by the beginning of 20th century represented 50% of Portuguese trade. In the early 1960s with the joining of Portugal to EFTA, it became one of the biggest world exporters of textiles and clothing and their products were recognised everywhere by their excellent relation between price and quality.

In the middle of the 1970s, Portugal lost its colonies, which had been their first suppliers of cheap and good raw materials. However, the biggest development of the Portuguese textile industry was in the 1980s and 1990s. In 1986, with their membership of the European community, the textile and fashion industry maintained a good position due to a vast and strong investment in high-technologies and its dynamic competitiveness. The

Portuguese textile and clothing industry (T/C) was a prosperous activity in the 1970s and 1980s. This prosperity was based on a model of low productive costs and a macroeconomic economy that facilitated the development of this growing model. The undervaluation of the currency was an example of how to facilitate the export through low prices. However, with the joining of Portugal to the European Union, the reality changed and this policy was revealed to be inadequate and old fashioned. The increase in price contributed to this, as did the nominal convergence and the introduction of the Euro. Furthermore, new countries appeared with cheaper products, with which Portugal could not compete, and the opened markets in 2005. Losing their competitive advantage, Portugal has had to choose to look for a new position. However, the negligence of design, brand, quality and insufficient attention in terms of product delivery, resulted in a weak international image of the clothing produced in Portugal "Made in Portugal". Furthermore, it is medium-weak in terms of global of competition. This shadow reality is only compensated for by the proximity of European Markets, which are our foremost clients. Of course, this is not the general picture of all the Portuguese (T/C), but enough to call into question the image of Portugal in this specific sector.

2.4.2 - Structural Characterisation of the Sector

The word "Textiles" refers to two distinct realities. The textile industry is essentially an intensive capital industry, and the clothing sector is represented essentially by intensive workmanship. The clothing and textiles industry consists of a series of heterogeneous and differentiated sub-sectors in terms of process and products, setting up the value chain. The clothing and textiles industry is present in all the countries of the world, where they have a notable position in the social and economic infrastructure. In spite of the increasing importance of East European countries and the emergent economies, the EU, Japan and the USA continue to represent the major block in terms of production and international trade.

Economic Importance - the products were recognised everywhere, with 11.9% of the employees in the textile sector and 14.1% of the employees in the clothing sector, in the European countries. In global terms textiles and clothing represent around 21% of all Portuguese exports. European countries are the countries most favoured for Portuguese exports. In 1988, of European countries Portugal was the 7th biggest exporter of clothing and the biggest exporter of home textiles (CENESTAP – Centro de Estudos Texteis Aplicados). The textiles and clothing sector are the most representative sector in terms of Portuguese foreign trade, representing around 21% of total Portuguese exports. This sector is followed by the mechanical and electrical mechanical sectors with 19% of the total Portuguese exports.

Investment – In terms of investment it has been relatively high. Portugal has invested a higher share of their value added since 1995. (Eurostat, 2003)

Mature Industrial Sector - Until 1986 it is estimated that the sector had had a near-annual growth of around 14%. This value is higher than average GDP growth. However, in 1992 the tax on growth of exportation was 0.6%, which resulted in a stagnation of the sector. Another feature revealing the maturity of the sector is the characteristics of products exported. Until 1960 the textile exports were overall in intermediary products, representing around 90% of total exportations. This situation changed completely in the 1990s, with final products representing 80% of the total products exported.

Fragmented Industrial Sector - the sector is very fragmented, existing in the sub-sectors of knitwear and clothing firms which have high volumes of production and high indices of intensive work principally in the clothing sector.

Geographic Concentration – the character of the textile and clothing sector is fundamentally concentrated, the highest concentration being in some areas of northern Portugal, more specifically in districts such as Porto and Braga. Besides these two areas, the clothing sector also has a high concentration in the districts of Castelo Branco, Lisboa and Coimbra. The sector is responsible for the employment of a vast number of people in these areas, representing a very important social variable.

Human Resources – the Portuguese textile and clothing industry (T/C) has a big problem with academic qualifications and human resources management. The levels of qualification are relatively low, principally in the older social stratum. Further, the problems of mentalities, accommodation, indiscipline, general attitude, absence of responsibility, and relation and resistance to change in order to protect the position, constitute major problems to the economic development of the country. In addition there is an absence of ambition in terms of individual and collective projects. Finally, there is an inadequate labour legislation.

Employees - the present Portuguese Economic Minister voiced his concerns about this situation in February 2003. According to him in the last five years the textile, clothing and footwear sectors lost 43 000 employees (8 600 per year). The mean productivity of these sectors is 7% lower than the medium European countries. Furthermore, the volume of textile business decreased by 5%. The ministry considered something should be done to help these sectors.

Productivity - the productivity of Portuguese workers in this specific industry is low and the workers are not motivated. In 1999, the productivity of the textile sector represented in average mean terms 45.3% of the E.U. and the clothing sector represented 41.5%. Production was 3% lower compared with 2002, the reduction being 4.4% in the textile

sector and 1.4% in the clothing sector. Compared with what happened in 2002 the production in the textile sector decreased by 6.0% while the clothing sector increased by 3%. The production in T/C decreases at a higher level verified in the transformed industry, which was inferior at 1.2%. Low production is due to low levels of education, professionalism, responsibility, background, determination and ambition. Moreover, the wages are low which does not help to increase the level of motivation of workers (Bessa and Vaz, 2002). Besides the problem of productivity and management are in a crises of operation and control, in spite of a substantial improvement in the management of the firms, specifically in finance and costs areas (Bessa and Vaz, 2002). However, the firms continue to be managed by styles of management that swing between the paternalistic and the demanding, the delegation of power being limited. Sometimes pressing and immediate issues are given priority over the important and strategic ones (Bessa and Vaz, 2002).

Low-Labour Cost Country – as we have seen above, labour is no longer a competitive advantage. Nowadays, this competitive advantage of a low-cost labour market belongs to countries like Poland, Romania, Turkey, Morocco, Pakistan, China, India, Indonesia, the Philipines, Malaysia and Bangladesh. Portugal has lost out. The percentage of sales decreased from 4.8% to 3.4% in the clothing sector and from 5.8% to 4.5% in the knitwear sector (Bessa and Vaz, 2002). It seems relatively easy to understand that the Portuguese export has lost competitive advantage in favour of countries with low-labour costs. The Portuguese firms can not afford to compete on the issues of intensive labour on the basis of costs and prices. However, it is more difficult to understand why Portugal has also lost competitive advantages among the countries with more expensive labour costs as this has also been happening.

Remunerations and Time Worked - the reduction of nominal remuneration follows the reduction in the number of employees, although the later is less emphasised. Therefore,

remuneration in the textile sector fell 3.2% and in the clothing sector 4.7% compared with the first term of 2002. The reduction in these two sectors was higher than the reduction experienced in the transformation industry.

The number of hours worked in the textile sector decreased by 6% and in the clothing sector was reduced by 8% compared with 2002. This means, in global terms T/C registered a reduction of 7,25 hours of work. (CENESTAP– Centro de Estudos Texteis Aplicados, 2003)

Investigation and Development – the Portuguese firms continue to invest very little in investigation and development, maintaining total dependence on the specifications of the clients or from market offer. Relationships between universities and firms do not exist, facing each other with reciprocal suspicions (Bessa, 2002)

Design – the design of a product is a very difficult stage. Designers must reconcile their imagination with the tastes and tendencies dictated by the market, in order to generate new collections that please the new target market. The design of the products and the innovations are concentrated in a system of advanced information such as the Digital Body Scanner. In spite of there being a number of Portuguese firms that have their own designers the situation is far from good.

Brands and Communication - Portugal does not have a lot of very well known brands with a good reputation (Bessa and Vaz, 2002). Portugal is a poor brand for the majority of the products and this makes it difficult to promote Portuguese products overseas. The contribution of the Portuguese government in enhancing the image of Portugal has not been successful in the case of textiles and clothing, the only exception being home textiles in USA. When the origin of products is referred to, Portuguese products are not favoured and this lowers their sales price. Branding is expensive and they do not have the necessary

finance to achieve this. There is also difficulty in cooperating in managerial matters (Bessa and Vaz, 2002).

Fashion - The number of Portuguese firms that possess a fashion studio is very low.

Operational Flexibilities - the reduction of product life cycle and productive scales converge to offer a bigger variety of products and the possibility to choose, according to the distinct preferences of each client. Thus, the techniques of quick response and just in time are fundamental and are followed in all countries by the sector firms. Another concept in fashion is mass customization, in which the challenge is the capacity to personalise the products according to certain attributes and to produce small amounts without losing competitiveness. In order to carry out this policy, it is necessary to integrate the production and information technologies in order to increase flexibility without compromising costs. Although, there are a significant number of firms capable of responding in real time to this demand, the situation is far from ideal.

2.4.3 – Portuguese Trade Balance

Exportation - The majority of Portuguese exports in the textile sector are concentrated in the clothing and knitwear sectors. The majority of the Portuguese textiles products are exported to European countries which makes the sector very vulnerable to the alterations registered in the international arena. Exports are concentrated essentially in USA (principally home-textiles) and six European countries (Spain, Germany, the United Kingdom, France, the Netherlands, and Italy).

As we can see from Table 2.13, the exports of textiles from Portuguese firms have been decreasing each year. The exceptions are for Spain, the Netherlands and Finland. For these 3 countries the variation tax is positive over the period under analysis. In global terms we can say that the textile industry is losing sales each year.

Table 2.13 - Export of Portuguese Textiles by Markets (By decreasing order)

| Countries | (000 euros) | | | | Variat. Tax | Structural (%) | |
|------------------|------------------|------------------|------------------|------------------|-----------------|-------------------|------------|
| | 2000 | 2004 | Jan / Oct | | median 00-04 | 2000 | 2004 |
| | | | 2004 | 2005 | | | |
| Total | 1,884,415 | 1,563,138 | 1,306,479 | 1,186,981 | -4.57 | 100 | 100 |
| Intra-Eu (25) | 1,369,334 | 1,146,708 | 956,393 | 871,248 | -4.34 | 72.7 | 73.4 |
| Extra-EU (25) | 515,081 | 416,428 | 350,086 | 315,733 | -5.18 | 27.3 | 26.6 |
| Spain | 237,869 | 259,670 | 214,279 | 200,698 | 2.22 | 12.6 | 16.6 |
| USA | 286,219 | 217,498 | 181,938 | 160,563 | -6.63 | 15.2 | 13.9 |
| German | 241,470 | 192,274 | 162,853 | 147,615 | -5.54 | 12.8 | 12.3 |
| UK | 311,653 | 179,519 | 150,573 | 127,106 | -12.88 | 16.5 | 11.5 |
| France | 183,315 | 167,028 | 136,883 | 127,872 | -2.30 | 9.7 | 10.7 |
| Italy | 94,909 | 83,069 | 69,840 | 60,280 | -3.28 | 5.0 | 5.3 |
| Nether. | 60,249 | 61,206 | 51,328 | 45,421 | 0.39 | 3.2 | 3.9 |
| Wizard. | 59,082 | 36,747 | 29,744 | 29,250 | -11.9 | 3.1 | 2.4 |
| Belgium | 44,891 | 31,323 | 26,618 | 28,292 | -8.60 | 2.4 | 2.0 |
| Dynamac | 30,561 | 27,109 | 23,170 | 19,245 | -2.95 | 1.6 | 1.7 |
| Finland | 20,829 | 24,069 | 19,179 | 19,891 | 3.68 | 1. | 1.5 |

Source: GEE, on the base of Data from INE; 2000 and 2004

Imports by Portuguese Firms

Table 2.14 - Import of Portuguese Textiles by Markets

| Countries | (000 euros) | | | | Variat. Tax | Structure (%) | |
|------------------|------------------|------------------|------------------|------------------|-----------------|---------------|------------|
| | 2000 | 2004 | Jan / Oct | | median 00-04 | 2000 | 2004 |
| | | | 2004 | 2005 | | | |
| Total | 2,330,323 | 1,809,764 | 1,513,669 | 1,326,421 | -6.12 | 100 | 100 |
| Intra-EU(25) | 1,724,266 | 1,353,510 | 1,130,696 | 972,178 | -5.87 | 74.0 | 74.8 |
| Extra-EU (25) | 606,057 | 456,254 | 382,973 | 354,242 | -6.85 | 26.0 | 25.2 |
| Spain | 376,452 | 3787,967 | 314,759 | 265,118 | 0.17 | 16.2 | 20. |
| Italy | 336,102 | 266,008 | 218,030 | 194,337 | -5.68 | 14.4 | 14.7 |
| German | 335,258 | 219,597 | 185,031 | 143,690 | -10.04 | 14.4 | 12.1 |
| France | 218,370 | 156,443 | 132,100 | 114,434 | -8.00 | 9.4 | 8.6 |
| Belgium | 110,491 | 90,254 | 76,493 | 61,145 | -4.93 | 4.7 | 5.0 |
| UK | 157,702 | 82,230 | 69,298 | 61,077 | -15.02 | 6.8 | 4.5 |
| Pakistan | 77,151, | 69,053 | 57,504 | 52,730 | -2.73 | 3.3 | 3.8 |
| Netherl. | 72,836 | 68,449 | 59,074 | 55,215 | -1.54 | 3.1 | 3.8 |
| India | 61,288 | 67,175 | 57,774 | 52,348 | 2.32 | 2.6 | 3.7 |
| Turkey | 54,599 | 64,688 | 50,519 | 51,472 | 4.33 | 2.3 | 3.6 |
| China | 33,709 | 30,830 | 26,229 | 36,394 | -2.21 | 1.4 | 1.7 |

Source: GEE On the base of definitive data of INE: 2000 and 2004

The principal Portuguese imports were from its neighbour European countries. In first place came Spain, followed by Italy, Germany, France, Belgium and the UK. Only after these countries came Pakistan, Netherlands, India, Turkey and finally China. These countries have cheap manual labour and are more competitive than Portuguese firms.

Textile Commercial Balance of Portuguese Firms - As can be observed in the below table the textile commercial balance of Portuguese firms is deficit.

Table 2.15 - Textile Commercial Balance

| | Millions of Euros | | | | Variation Tax | |
|-------------------------|-------------------|-------|-------------------|-------|-----------------|------------------|
| | 2000 | 2004 | January - October | | Medium 00-04 | Jan-Out 04-05 |
| | | | 2004 | 2005 | | |
| Importation (Cif) | 2 330 | 1 810 | 1 514 | 1 326 | -6.1 | -12.4 |
| Exportation (Fob) | 1 184 | 1 563 | 1 306 | 1 187 | -4.6 | -9.1 |
| Balance (Fob - Cif) | -446 | -247 | -207 | -139 | -13.8 | -32.7 |
| Covering (Fob / Cif) | 80,9 | 86,4 | 86,3 | 89,5 | - | - |

Source: GEE, on the base of the data of INE; from 2000 to 2004 last versions.

Portuguese firms do not have direct contacts with their clients making it thus impossible to know their needs or demands.

2.4.4 – Summary

The textiles and clothing industry is the most important industry in terms of Portuguese foreign trade, representing 21% of total Portuguese exports. It is a mature and fragmented sector representing a very important social variable. Each year production has been decreasing.

The textile and clothing industry is essentially concentrated, the highest concentrations being in Porto and Braga, followed by Castelo Branco, Lisboa, and Coimbra.

In the last decade, Portugal has lost its competitive advantages. It is no longer a country with low labour costs.

Portugal is weak in terms of fashion and design and does not have very many well-known brands with a good reputation. In terms of investigation and development, the Portuguese firms invest very little and in addition the relationship between universities and firms is poor.

2.5 - The United Kingdom Textile Sector.

2.5.1 - Historical Perspective

The textile and clothing industry is the UK 9th largest manufacturing industry. The clothing industry was of fundamental importance to the British economy in the nineteenth and early twentieth centuries. For example, the clothing industry employed 800 000 people before the First World War, making the garment trades one of the most important sources of employment in Britain. However, relatively little is known about the development of the industry, because there are no statistics. It was new technology that transformed the industry, but exactly how and when is not yet known (Godley, 1995).

According to Godley (1995) the UK clothing productivity hardly changed until its rapid growth between 1935 and 1948. Net output per worker grew in real terms by just under one half of one per cent per annum from 1907 to 1935. It grew by rather less than the per capita growth of the entire economy.

After a period of substantial contribution to the UK economy, the industry is currently facing the greatest challenges in its history. Low labour-cost suppliers are securing an increasingly large share of world markets.

In 1999, the decline became much deeper due to poor sales over this period, which led many to seek alternatives, which in turn lead them to the lower-cost suppliers outside the UK (Textile and Clothing Strategy Report, 2000)

2.5.2 - Structural Characterisation of the Sector

Economic Importance - the textile and clothing industry produces almost €10 bn and employs around 380 000 people in around 40 000 enterprises (Skillfast-uk, 2006). However, the production has been decreasing in the last years. As a result, in 2000 the turnover was €194,7 billions, decreasing to €192,9 billions in the year 2001, and 186 and €174,5 billions in the years 2002 and 2003 respectively.

Turnover - the turnover has decreased in recent years, falling from €194.7 billions in 2000 to €170,4 billions in 2004.

Investment - In 2000 investment was €7,4 billions, this amount decreasing year after year dropping to just €4,8 billions in the year 2004.

- In 1999 only £5,1 billions of goods were exported. However, the UK industry has been under one of the deepest troughs in its history. From the first quarter of 1997 to the second quarter of 2001, production collapsed by 30%.

There has been a rise in the importance and speed of design, marketing and distribution. In 2005 the UK clothing and footwear industry was worth almost £45 billions (Key Note 2004). Large scale manufacturers moved their production abroad. Nowadays imports account for 95% of the fashion and textile market. Although this far outstrips exports, many of the imported goods bear UK labels. The goods are designed, marketed and distributed from within this country, but produced overseas.

Table 2.16 -EU* Apparel and Textile Industry

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------------------|---------|---------|---------|--------|--------|
| Turnover (billion €) | | | | | |
| - Textiles | 98.6 | 98.1 | 94.9 | 88.5 | 88.7 |
| - Apparel | 96.1 | 94.8 | 91.1 | 86 | 81.7 |
| - Total | 194.7 | 192.9 | 186 | 174.5 | 170.4 |
| Investment (billion €) | | | | | |
| - Textiles | 6.1 | 5.3 | 4.7 | 4.2 | 3.9 |
| - Apparel | 1.3 | 1.1 | 1.0 | 0.9 | 0.9 |
| - Total | 7.4 | 6.4 | 5.7 | 5.1 | 4.8 |
| Employment ('000) | | | | | |
| - Apparel | 677 | 680 | 657 | 607 | 600 |
| - Total | 1,514 | 1,426 | 1,340 | 1,253 | 1,148 |
| - Total | 2,191 | 2,106 | 1,997 | 1,860 | 1,748 |
| Companies | | | | | |
| - Textiles | 30,788 | 29,803 | 29,296 | 27,568 | 26,189 |
| - Apparel | 80,867 | 77,944 | 73,936 | 69,692 | 65,898 |
| - Total | 111,655 | 107,747 | 103,232 | 97,260 | 92,087 |
| Extra EU Imports (billion €) | | | | | |
| - Textiles | 19.2 | 19.4 | 18.5 | 17.8 | 18.3 |
| - Apparel | 48.3 | 50.8 | 51.3 | 53.2 | 55.3 |
| - Total | 67.5 | 70.2 | 69.8 | 71.0 | 73.6 |
| Extra EU Exports (billion €) | | | | | |
| - Textiles | 23.3 | 24.3 | 24.3 | 23.5 | 23.5 |
| - Apparel | 15.0 | 16.4 | 16.5 | 16.7 | 16.8 |
| - Total | 38.3 | 40.7 | 40.8 | 40.2 | 40.3 |

*EU15

Source: Euratex/CTCOE/OETH

Geographic Concentration - there are many sub-assembly units across the North West, East and West Midlands, London and Central Scotland that specialise in cutting or finishing semi-manufactured imported goods. The major regions for textile are the East Midlands, the North West, Central Scotland, Yorkshire and Northern Ireland. London has few textile firms. The largest retailers have branches in all the major cities. The creative elements of the industry – design, marketing, and advertising have been separated from production.

Predominance of Small and Medium Firms - the majority of the firms in the clothing industry are relatively small, with a turnover below £499,000, and around 61% have a turnover below £249,000. 60% of the firms have less than 50 employees and produce almost 50% of value added (Eurostat, 2003).

Table 2.17 - The Total UK Clothing Market by Value at Current Prices (£m at rsp), 1998-2002

| | % Change | | | | | |
|--------------|----------|--------|--------|--------|--------|-----------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 1998-2002 |
| Clothing | 27,810 | 28,960 | 29,500 | 31,350 | 32,600 | 17.2 |
| % change | | | | | | |
| year-on year | - | 4.1 | 1.9 | 6.3 | 4.0 | |
| rsp – retail | | | | | | |

Source: Key Note – Market Review 2003 – The Clothing & Footwear Industry.

The number of companies has also been decreasing over recent years. Consequently, in 2000 there were 111 655 firms in operation, this number reducing year after year, in 2001 there were 107 747, 103 232 in 2002 and 97 260 in 2003 and finally only 92 087 firms in 2004.

In terms of number of employees, 70% of firms employ less than ten employees. There are a lot of very small firms, often individually or family owned that undertake subcontract work or manufacture at a very low cost. Only a small number of these employ a substantial number of employees and can be considered as independent businesses.

Mature Industrial Sector – Vertical integration is the strategy followed by the most competitive firms. It is followed by firms like Alexon PLC and Laura Ashley PLC, which are vertically integrated in their design, manufacture and retail operations (Key Note 2002).

Human Resources - Skills, Education and Training – this industry as well as others need strong and relevant skills to compete successfully in the world markets. However, the industry has had great difficulty in attracting the best talent available because it is in decline, does not offer good career prospects and is poorly paid. A lot has been done in order to reverse this situation such as producing a series of “Curriculum Packs for Schools”. However, the results of the studies taken (Higher Education Careers Service Unit in 1998) concluded that 37% of employers were dissatisfied with the business awareness of graduate applicants (TCSG – Textile and Clothing Strategy Group, 2003)

Employees – in this industry the employment is labour intensive and highly concentrated in the smaller enterprises. Because the larger firms are more automated than small firms, they therefore employ fewer workers. The number of employees in the industry has been falling steeply as a consequence of many firms deciding to relocate their production outside the U K.

At the end of the 1970s the industry employed over 800 000 employees. Since then the industry has lost jobs at a rate of over 2 000 per month, reaching 264 000 in 2001, as can be seen in Table 2.20; year after year the number of employees were reduced, in all sectors. This industry has employed a vast number of part-time women workers.

Table 2.18 - Employment

| Year | Total (' 000) | Apparel (' 000) | Textiles (' 000) |
|------|--------------------|----------------------|-----------------------|
| | | | |
| 1996 | 372 | 218 | 154 |
| 1997 | 370 | 219 | 151 |
| 1998 | 334 | 195 | 139 |
| 1999 | 307 | 177 | 130 |
| 2000 | 272 | 156 | 116 |
| 2001 | 242 | 135 | 107 |
| 2002 | 225 | 127 | 98 |
| 2003 | 199 | 108 | 91 |
| 2004 | 182 | 96 | 86 |
| 2005 | 167 | 87 | 80 |

Source: BATC estimates based on ONS Labour Market Trends.

Production – the majority of UK firms have moved their clothing production overseas. The first objective of this policy is to save on costs. One of the factors that were responsible for this policy, besides the lower production costs overseas, was the continuing strength of the pound.

Productivity – It is a fact that the UK's labour productivity has been lower in the clothing and textile sector than in other European countries. Firstly, the average unit value of the UK's output is lower than in other European countries. Secondly, in other countries the capital intensity of the industry is higher than in the UK (TCSG– Textile and Clothing Strategy Group, 2003).

Remuneration of Employees - the wages paid in clothing manufacture have always been low, with illegal employment and payment of rates below the national minimum wage. This reality has always been a continuing problem for the legal trade and for the authorities, compounded sometimes by the employment of illegal immigrants. Table 2.19

shows the average earnings in the textile and clothing industry per week / hours worked and finally the earnings per hour.

Table 2.19 - Median Earnings - Clothing and Textiles

| | Weekly Earnings | Hours Worked | Hourly Earnings |
|------|--------------------|-----------------|--------------------|
| 1998 | £239.90 | 39.0 | £5.80 |
| 1999 | £241.60 | 39.0 | £5.90 |
| 2000 | £257.80 | 39.0 | £6.20 |
| 2001 | £260.10 | 39.0 | £6.40 |
| 2002 | £280.80 | 39.0 | £6.70 |
| 2003 | £286.90 | 39.0 | £7.00 |
| 2004 | £307.70 | 39.0 | £7.30 |
| 2005 | £323.60 | 39.0 | £7.70 |

Source: ONS Labour Market Trends.

In order to have a better understanding of the wages paid in the U K. The next table shows the wages paid in several countries. Wages paid in the UK are higher than the wages- in other countries. Only in France are the wages in this sector very similar to the UK.

Innovation – UK firms do not have competitive advantages of lowest cost suppliers. Thus, they have to seek competitive advantage through other means. Innovation is defined as the successful exploitation of new ideas, providing one of the most probable advantages (TCSG- Textile and Clothing Strategy Group, 2003).

It is fundamentally important and recognised by the industry, together with associations of professors and heads of textile courses. Innovation is present everywhere, such as in product transformation, design, marketing and organisation of production.

Table 2.20 - International Index of Manufacturing Wages

| | Great Britain | France | Germany | Italy | Japan | United States |
|----------------------------------|---------------|--------|---------|-------|-------|---------------|
| 2001 | 104.3 | 104.2 | 101.5 | 101.9 | 100.0 | 103.8 |
| 2002 | 108.0 | 108.0 | 103.2 | 104.7 | 98.7 | 106.8 |
| 2003 | 111.9 | 111.0 | 105.7 | 107.4 | 101.2 | 109.6 |
| 2004 | 116.0 | - | 107.9 | 110.5 | 102.8 | 112.0 |
| 2000=100 | | | | | | |
| Source: ONS Labour Market Trends | | | | | | |

Nowadays, innovation in the textile and clothing sector is becoming extremely demand-led with the emphasis on adapting existing materials, adapting processes to new applications and to working closely with customers in order to identify specific opportunities for innovation. Research and development expertise has expanded over the last ten years and there are around a dozen institutions in the UK offering research, science and technology services to the industry in order to help provide specific solutions to challenges set by the customer (TCSG- Textile and Clothing Strategy Group, 2003).

Design and Product Innovation – The United Kingdom has abundant talents in design. The way in which UK manufacturers access design talents varies from employing designers or working with free-lance designers. Above all the most important thing for the manufacturers is they are aware of the opportunity design presents. The United Kingdom is widely known for producing the world's most creative designers (TCSG- Textile and Clothing Strategy Group, 2003).

Brands – The growing demand for famous brands and designer labels has given the clothing market a global dimension. Branding is of fundamental importance because it can help differentiate products, establish customer loyalty and secure a price and margin premium. This policy should be implemented with high levels of marketing expertise. The UK already has a number of very well-known clothing brands such as Burberry, Aquascutum and Paul Smith, which have successfully penetrated world markets on the strength of good quality, strong design and efficient marketing. Furthermore, UK manufacturers also have success in the market of “designer wear”. The UK is known worldwide for the quality of its designs. In order to continue to develop this field, a little more should be done in terms of marketing.

Fashion – the UK is a strong country in terms of fashion. For the most part, the British company Marks & Spencer works with suppliers that guarantee not only the quality of the products but also high standards of fashion.

Advertising and Promotion – the vast majority of manufacturing sectors have been increasing their expenditure on advertising both in terms of value and percentage (Key Note, 2002). Moreover, clothing brands can also benefit from the retailers' promotions. Therefore, extensive advertising is seen in the daily press, lifestyle and fashion magazines, on TV, with the aid of models, actresses and sports stars.

The Supply Chain – the retailers have continually stressed the importance that to succeed, the suppliers must provide the right goods at the right price in the right quantities at the right time. In the textile and clothing sector this is also extremely important. The right goods are those that customers want to buy. In the textile and clothing sector this means they must have the right design and style content. Sometimes, it has been argued that a weak demand on the high street is because a product does not appeal to the interests of the consumer (TCSG- Textile and Clothing Strategy Group, 2003). In order to counteract the threat of the increasing number of imports, the UK industry should concentrate on flexible delivery through domestic sourcing, reduced levels of stocks with the supply chain, and increased net margins. The challenge that the textile and clothing industry faces is to either focus on speed and efficiency through the supply chain to replenish a pre-determined stockpile or to produce exact quantities in response to servicing customer's orders effectively (TCSG- Textile and Clothing Strategy Group, 2003).

2.5.3 - UK Trade Balance

Exportation – In the last years the strength of the pound has had a negative impact on UK exports. However, with the progressive liberalisation of international trade more and more markets worldwide have become (in theory) possible targets. Europe represents the most important market for UK exporters and until recently the weakness of the Euro represented a big advantage to UK exporters. However, nowadays the Euro has gained power increasing difficulties for UK exporters. In Europe the UK has a big competitor in Italy whose products are relatively cheaper than UK products (TCSG- Textile and Clothing Strategy Group, 2003).

In the UK exports will concentrate in European and non European countries. As we can see in Table 2.21, since 1996 overseas sales have continued to decrease in both apparel and textiles. The exports in non-European countries seem to be a little better. However, this small tendency is enough to change the behaviour of the whole industry.

Table 2. 21 - Total Exports by Value (£m)

| | 1996 (£m) | 1997 (£m) | 1998 (£m) | 1999 (£m) | 2000 (£m) | 2001 (£m) | 2002 (£m) | 2003 (£m) | 2004 (£m) | 2005 (£m) |
|-----------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Apparel | 3,319 | 3,144 | 2,929 | 2,772 | 2,717 | 2,877 | 2,481 | 2,692 | 2,719 | 2,679 |
| EU | 2,334 | 2,082 | 1,932 | 1,874 | 1,755 | 1,642 | 1,570 | 1,774 | 1,834 | 1,959 |
| Non-EU | 985 | 1,062 | 997 | 898 | 962 | 1235 | 911 | 918 | 885 | 720 |
| Textiles | 4,075 | 4,148 | 3,927 | 3,474 | 3,568 | 3,553 | 3,337 | 3,434 | 3,359 | 3,164 |
| EU | 2,551 | 2,407 | 2,450 | 2,033 | 2,069 | 2,091 | 1,797 | 1,775 | 1,713 | 1,769 |
| Non-EU | 1,524 | 1,741 | 1,477 | 1,441 | 1,499 | 1,462 | 1,540 | 1,659 | 1,646 | 1,395 |
| Industry Total | 7,394 | 7,292 | 6,856 | 6,246 | 6,285 | 6,430 | 5,818 | 6,126 | 6,078 | 5,843 |
| EU | 4,885 | 4,489 | 4,382 | 3,907 | 3,824 | 3,733 | 3,367 | 3,549 | 3,547 | 3,728 |
| Non-EU | 2,509 | 2,803 | 2,474 | 2,339 | 2,461 | 2,697 | 2,451 | 2,577 | 2,531 | 2,115 |

Source: HM Revenue and Customs / BATC.

The next table shows the exports of the top 10 markets

Table 2.22 - Top 10 Markets Apparel and Textiles

| Apparel | 2004 (£m) | 2005 (£m) | % |
|--------------------|----------------------|----------------------|----------|
| Ireland | 602.9 | 650.6 | 8% |
| Germany | 349.5 | 332.3 | -5% |
| France | 279.0 | 275.4 | -1% |
| Italy | 130.5 | 147.8 | 13% |
| Spain | 143.9 | 136.8 | -5% |
| USA | 133.6 | 121.1 | -9% |
| Netherlands | 69.5 | 73.2 | 5% |
| Belgium/Luxembourg | 67.2 | 64.6 | -4% |
| UAE | 112.2 | 63.3 | -44% |
| Greece | 55.8 | 57.7 | 3% |
| Textiles | 2004 (£m) | 2005 (£m) | % |
| Germany | 280.3 | 247.6 | -12% |
| Ireland | 229.1 | 246.2 | 7% |
| Netherlands | 262.6 | 243.4 | -7% |
| USA | 239.3 | 236.5 | -1% |
| France | 209.3 | 184.7 | -12% |
| Italy | 162.9 | 176.8 | 9% |
| Romania | 161.7 | 142.7 | -12% |
| Belgium/Luxembourg | 152.0 | 137.9 | -9% |
| Spain | 125.0 | 107.8 | -14% |
| Hong Kong | 85.2 | 75.1 | -12% |

Source: HM Revenue and Customs/BATC

For apparel products the principal markets are Ireland, followed by Germany, France, Italy, Spain and finally USA. For textiles products the superior importers are Germany, Ireland, Netherlands, USA and France. However, only Ireland and Italy show a positive perceptual variance.

Outside the European countries, in 1995, 1996, 1997, 1998, 1999, 2000, 2001 and finally 2005 the exports reached 2 509; 2 803; 2 474; 2 339; 2 461; 2 697; 2 451 and 2 115 millions pounds respectively.

Importation – The importations from outside European countries have been increasing each year . The exception was in the year 2002, when the imports did not increase relative to the year 2001. Consequently, in year 2000 importations from outside Europe were \$67,5 billions, 70,2; 69,8 and €71 billions for 2001, 2002 and 2003 respective and finally €73,6 billions for 2004.

As we can see since 1995 imports have been increasing in total industry. However, in the textile industry the imports do not reach the levels of the apparel industry.

**Table 2.23 - Total Imports by Value
(£m)**

| | 1996 (£m) | 1997 (£m) | 1998 (£m) | 1999 (£m) | 2000 (£m) | 2001 (£m) | 2002 (£m) | 2003 (£m) | 2004 (£m) | 2005 (£m) |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Apparel | 6,208 | 6,750 | 7,125 | 7,745 | 8,766 | 9,400 | 10,075 | 10,610 | 10,859 | 11,544 |
| EU | 1,911 | 2,097 | 2,393 | 2,411 | 2,313 | 2,275 | 2,472 | 2,687 | 2,674 | 2,907 |
| Non-EU | 4,297 | 4,653 | 4,732 | 5,334 | 6,453 | 7,125 | 7,603 | 7,923 | 8,185 | 8,637 |
| Textiles | 5,861 | 5,728 | 5,419 | 5,035 | 5,020 | 4,977 | 4,738 | 4,633 | 4,657 | 4,326 |
| EU | 3,314 | 3,210 | 3,132 | 2,923 | 4,565 | 2,719 | 2,618 | 2,572 | 2,519 | 2,410 |
| Non-EU | 2,547 | 2,518 | 2,287 | 2,112 | 455 | 2,258 | 2,120 | 2,061 | 2,138 | 1,916 |
| Industry Total | 12,069 | 12,478 | 12,545 | 12,780 | 13,786 | 14,377 | 14,813 | 15,243 | 15,516 | 15,870 |
| EU | 5,225 | 5,307 | 5,525 | 5,334 | 6,878 | 4,994 | 5,090 | 5,259 | 5,193 | 5,317 |
| Non-EU | 6,844 | 7,171 | 7,019 | 7,446 | 6,908 | 9,383 | 9,723 | 9,984 | 10,323 | 10,553 |

Source: HM Revenue and Customs / BATC.

The ten top markets from where the U. K. imports are shown in the following table:

Table 2.24 - Top 10 Markets

| Apparel | 2004 (£m) | 2005 (£m) | % |
|-------------------|----------------------|----------------------|----------|
| Hong Kong | 1,528.6 | 1,713.8 | 12% |
| China | 1,013.9 | 1,668.2 | 65% |
| Turkey | 1,221.8 | 1,314.4 | 8% |
| Italy | 601.2 | 610.0 | 1% |
| India | 430.5 | 606.2 | 41% |
| Bangladesh | 502.4 | 459.2 | -9% |
| France | 476.3 | 441.7 | -7% |
| Romania | 435.6 | 395.7 | -9% |
| Germany | 377.6 | 386.6 | 2% |
| Sri Lanka | 369.8 | 356.0 | -4% |
| | | | |
| Textiles | 2004 (£m) | 2005 (£m) | % |
| Belgium/Luxemburg | 689.0 | 606.8 | -12% |
| China | 412.6 | 456.1 | 11% |
| Italy | 411.6 | 397.1 | -4% |
| Germany | 404.7 | 382.3 | -6% |
| Netherlands | 276.0 | 287.5 | 4% |
| India | 273.8 | 250.8 | -8% |
| Turkey | 248.1 | 241.7 | -3% |
| France | 244.7 | 209.8 | -14% |
| Pakistan | 237.9 | 170.9 | -28% |
| USA | 158.0 | 165.2 | 5% |

Source: HM Revenue & Customs/BATC

For apparel UK imports are mainly from Hong Kong, China, Turkey and Italy. The principal markets from where the UK import textiles are Belgium / Luxembourg, China, Italy, and Germany.

UK Trade Balance – The UK balance of trade in clothing remains in deficit and will continue to do so in the coming years due to the policy of the UK to move production abroad. However, this does not necessarily mean that only foreign firms benefit. In spite of the UK losing a lot of jobs, it must be recognised that the majority were low paid and low skilled. The principal exports of UK manufactures go to EU countries, such as Germany and France. While around two-thirds of imports come from outside European countries (Key Note2000).

2.5.4 - Summary

The textile and clothing industry in the UK is the 9th largest manufacturing sector. It produces almost €10 bn and employs around 380 000 people in around 40 000 enterprises. The majority of the firms in the industry are relatively small; 61% of them have a turnover below £249,000 and 60% of them have fewer than 50 employees.

They are geographically concentrated in the North West, East and West Midlands, London and Central Scotland.

The industry is labour intensive and production has moved overseas. The UK's labour productivity has been lower than the other European countries and the wages paid in the industry are below the national minimum wage.

In recent years, production has decreased and the number of employees has dropped from 900 000 in 1997 to 167 000 in 2005. The number of firms has also fallen from 111 655 in 2000 to 92 087 in 2004.

The UK is a strong country in terms of fashion, has abundant talents in design, and has a number of well-known clothing brands.

In terms of balance, trade in the clothing industry is at a great disadvantage to the UK.

2.6 - Conclusions

The aim of this chapter was to show the importance of the textile and clothing industry in the world and its contribution to the economic development of countries. Therefore, a global picture of the sector and its importance in the economy of the developed and developing countries was presented. Firstly, the study looked at the world situation, then European countries and finally two countries under research – Portugal and the U K. Next, several tables with empirical evidence of the importance of the industry was presented. Finally, a view of the Commercial Balance of each is presented.

The next chapter reports on small and medium sized firms (SMEs), definitions and their characteristics.

CHAPTER THREE - Theoretical Perspectives on SME(s) Exporting

3.1 – Introduction

The purpose of this chapter is to show the importance and the contribution of small and medium-sized enterprises (SME(s)) to the economic growth, development and prosperity of countries. They provide employment, innovations, variety, self-fulfilment and growth (Birch, 1979; Storey,1994). They are increasingly active in international markets, and contribute to the majority of all enterprises around the world (Bennett, 1998).

This Chapter gives a global view of their importance at several levels. It must be noted that it is not always easy to define SMEs. It is the concern of this chapter to introduce different definitions of SME(s) according to different authors and different institutions. They reflect an extensive view of the most representative definitions. An explanation is given as to which of these definitions were opted for and why.

Finally, the principal advantages and disadvantages of SME(s) in competing with multinational firms are referred to.

3.2 - Definitions of Small and Medium Enterprises (SME(s))

The present thesis is concerned with the study of small and medium Portuguese and United Kingdom textile firms involved with textile and clothing. There is not one single definition of an SME(s) (Hillary, 1998). According to the author, standardised definitions can obscure some characteristics that more varied definitions try to draw out. Hence, different ways in which firm size can be measured will be introduced. The number of employees, level of sales and value of firm assets are the most common indicators used (Reid, 1982).

According to the Report of the Committees of inquiry on small firms - Bolton Committee (1971), the definition of a small firm in the United Kingdom is:

- It employs less than 200 workers.
- It is managed by its owners or part-owners.
- It has a relatively small share of its market.

Reid (1982) and Jesus (1992) also base their classification of company size on the number of employees. They go one step further, the strength of this classification of company size being related to the number of employees, very small being up to 29 employees; small classified as between 30-99; and large from 250.

In addition, the US Department of Commerce is classified according to the number of employees in the firm. Thus, in their classification small firms have fewer than 100 employees, whereas medium-sized firms have a cut-off point of 100 to 150 employees.

Another frequently used approach is to group firms according to their annual sales volume. The literature review is rich in references to small and medium-sized firms based on sales volume, but does not give us clear cut-off values. The exception is Shaw (1977), who provided such values as \$ 1million or less for small-sized firms and \$50 million or less for medium-sized firms.

Other testimony on this subject came from Congressional hearings (Commerce 1977), information in the literature of (Woo-young and Brasch 1978) and previous empirical findings with company executives. Hence, the cut-off value for small-sized firms was set at \$5 million in annual sales and below. For example, Cavusgil et al., (1979) found that the profile of firms most likely to export included the size variable (an annual sales volume of \$1 million or more).

According to section 248 of the Companies Act 1985, a company is deemed "small" if it satisfies at least two of the following criteria:

- a turnover of no more than £2.8 million;

- a balance sheet total of no more than £1.4 million;
- no more than 50 employees.

A medium sized company must satisfy at least two of the following criteria:

- a turnover of no more than £11.2 million ;
- a balance sheet total of no more than £5.6 million;
- no more than 250 employees.

For statistical purposes, another definition which came from the Department of Trade and Industry (International Finance Corporation, 2003) uses the following definitions:

- micro firm: 0-9 employees;
- small firm: 0-49 employees (includes micro);
- medium firm: 50-249 employees;
- large firm: over 250 employees.

Finally, in February 1996 the European Commission adopted the following definition of SME(s):

| Criterion | Micro | Small | Medium |
|--|-------|-----------------|------------------|
| Max. number of employees | 9 | 49 | 249 |
| Max. annual turnover | n / a | 7 million euros | 40 million euros |
| Max. annual balance sheet total | n / a | 5 million euros | 27 million euros |
| Max. % owned by one, or several enterprise(s) not satisfying the same criteria | n / a | 25% | 25% |

This definition uses a combination of employee numbers, turnover or balance sheet total, and ownership to define SME(s), as other authors or institutions have done, and is referred to above in this present work. The definition adopted by us, to measure firms, was that which claimed to be the most frequently cited – the number of employees. In addition to being the most frequently cited, it does not give us problems with clear cut-off values. All the other criteria are far from being consensual. In this study, the definition adopted by the European Commission was used. However, firms with less than 10 employees (micro) were excluded, because they were deemed to be too small and had more characteristics familiar to small firms. Firms with more than 250 employees were also excluded, because they were big enough to have characteristics that differentiated them from the groups we are studying.

Having discussed the principal definitions of SME(s) according to different authors and / or institutions, the next section will discuss the principal characteristics of SME(s).

3.3 - Characteristics Of SME(s)

3.3.1 – Introduction

In this section the principal contributions of the SME(s) in the economies of the countries concerned will be studied.. Next, other contributions beside the economic ones will be studied. Finally, all the advantages and disadvantages of SME(s) will be discussed.

3.3.2 The Role of SME(s) in the Economy

The Small and Medium-Sized Enterprises (SME(s)) constitute the majority of all enterprises around the world, and the development of regional trading blocks, especially in European countries, has increased this tendency (Bennett, 1999).

They are the vital driving force behind growth and employment in Europe. Indeed they represent 98.9% of EUR 19 (I) enterprises. Over 90% of European enterprises have fewer than 10 employees, and constitute the majority of new jobs in Europe.

The situation in Europe, the U. S. and Japan varies. In Europe, enterprises are smaller than in the United States and Japan. Small European enterprises employ an average of 6 people, while Japanese enterprises employ 10 people and American enterprises, 19 people. Thus, Japanese SME(s) account for only 33% of employment and 46% in USA, whereas in Europe (19) they account for 66% of total employment (Observatory of European SME(s), 2002).

In Europe the majority of firms are small and are those responsible for work experience and economic activity. In Europe-19 there are more than 19 million small enterprises, which provide jobs for around 140 million people (table 2.1). This means 99.8% enterprises in Europe-19 are SME(s). In contrast, the number of large enterprises is only about 40 000, accounting for only 0.2% of all enterprises (Observatory of European SME(s) 2003).

In the EU-19, SME(s) employ almost 140 million employees, which represents 52% of all employees. Furthermore, we can observe that within the group of SME(s) the majority are micro enterprises (over 90%), which employ fewer than 10 people.

European enterprises employ an average of 7 workers, the number varying between 3 in micro enterprises to over 1 000 in Large Scale Enterprises (LSEs). However, if we prefer to measure the average size, this could be done through the turnover per enterprise and value added per enterprise.

(I) Euro 19 comprises the 15 members of the European Union, plus Iceland, Liechtenstein and Switzerland.

3.3.3 - SME(s) and Their Impact in Europe

In terms of exporting, and according to the data, European countries export around 17% of turnover. The SME(s) export relatively less than the larger enterprises. The share of turnover vary from 9% for micro enterprises while Large Scale Enterprises (LSE's) export around 23%.

The labour productivity increases with enterprise size. 40 000 Euro of value added for micro enterprises and 120 000 Euro for LSE(s). However, smaller enterprises contribute more to a greater role in - labour intensive sectors than the biggest ones (Table 3.1)

3.3.4 - Advantages and Disadvantages of SME(s)

As we have seen above, SME(s) are principally responsible for the economic development of the countries around the world. They are the most important sector of a nation's economy. Furthermore, they constitute the majority of the enterprises around the world. In addition, they are a source of innovation and entrepreneurial spirit. Then, they provide and create jobs, especially during recessions. Finally, they create competition and are seen as sources for business in the future (Hillary, 1998).

However, there are areas in which due to their dimension, they are not able to be so competitive as the bigger ones. Their advantages and disadvantages are explored in more detailed below.

3.3.4.1 – Advantages of SME(s)

The principal advantages of SME(s) are summarised in the table below. As shown, these advantages are that they encourage more innovation and flexibility; specialisation; maintain close relationship with customers and the community; keep larger firms

competitive; provide employees with comprehensive experience; develop risk takers; generate employment; economies of scale and economies of scope; and opportunities for the individual. Each one of the characteristics referred to will be developed with more details below.

Table 3.1- The roles of SME(s), Europe- 19 , 2003

| | <u>SME</u> | | | | <u>LSE</u> | <u>Total</u> |
|---|------------|--------|--------------|--------|------------|--------------|
| | Micro | Small | Medium-sized | Total | | |
| Number of enterprises (x 1 000) | 17 820 | 1 260 | 180 | 19 270 | 40 | 19 310 |
| Occupied persons (x 1 000) | 55 040 | 24 280 | 18 100 | 97 420 | 42 300 | 139 710 |
| Occupied persons per enterprise | 3 | 19 | 98 | 5 | 1 052 | 7 |
| Turnover per enterprise 1 000 Euro | 440 | 3 610 | 25 680 | 890 | 319 020 | 1 550 |
| Value added per enterprise % | 120 | 1 180 | 8 860 | 280 | 126 030 | 540 |
| Share of exports in turnover % | 9 | 13 | 17 | 12 | 23 | 17 |
| Value added per occupied person 1 000 Euro | 40 | 60 | 90 | 55 | 120 | 75 |
| Share of labour costs in value added % | 57 | 57 | 55 | 56 | 47 | 52 |
| Note: Micro enterprise: less than 10 occupied persons, small enterprise: between 10 and 50 occupied persons; medium-sized enterprises: between 50 and 250 occupied persons; LSE- Large - Scale enterprises: 250 or more occupied persons. | | | | | | |

Source: USA: SBA and US Census; Japan: MPHPT, establishment and EnterpriseCensus of Japan (2001)Europe-19 Estimated by EIM Business and Policy Research; estimated based on Eurostat's Structural Business Statistics and Eurostat's SME Database. Also based on European Economy, Supplement A, May 2003 and OECD: Economic Outlook, No. 71, June 2003.

Encourage Innovation and Flexibility - Smaller firms are frequently sources of new ideas, materials, processes, and services that larger ones may be reluctant or unable to provide (Megginson et al., 1991). Big firms are frequently committed in large quantities over long periods of time in order to benefit from economies of scale. This means, smaller firms are more flexible (Megginson et al., 1991, and Hollensen, 2001) and this should be highly prized by small entrepreneurs in their own managerial behaviour (Chisnall, 1987). Therefore, they must devote their efforts to developing and marketing innovative products and services (Megginson et al., 1991). The innovation has forced smaller firms to be more flexible and consequently to be able to switch their production readily. Among the most credited products created by small firms are cellophane, the jet engine, the ball-point pen, xerography, penicillin, insulin, air conditioning, a device that lets scuba divers talk underwater, a process that makes it possible to detect certain types of cancer 18 months before symptoms appear, an electrical machine to reduce the pain of dental work, among several others (Kuehl and Lambing, 1990). Furthermore, small firms are able to respond quickly to the face of changing market conditions and to adapt easily to changing demands within their field and capacity. Experiments can be conducted, innovations may be initiated and new ventures started or expanded without major problems (Megginson et al., 1991). Small businesses produce 24 times as many inventions for each research dollar than the largest firms (Kuehl and Lambing, 1990).

Specialisation —Many small firms rely on the fact that they develop products and services with high value-added content. This means that they offer their customer products with high quality, which are related to their needs. Hence, there is intimate knowledge of their customers (Chisnall, 1987). Small firms have direct contact with their customers and can react rapidly to their demands. According to Chisnall (1987: 3) *“high value-added should be designed into products; customers of all kinds have increasing expectations, and are*

intolerant of shoddy goods or those that fail to match their expectations in terms of preference, price, delivery, after-sales services, etc”.

Table 3.2 - Advantages and Disadvantages of SME(s) Firms

| Advantages of the SME(s) | Disadvantages of the SME(s) |
|--|---|
| <ul style="list-style-type: none"> . Encourage more innovation and flexibility. . Specialisation. . Maintain close relationship with customers and the community. . Keep larger firms competitive. . Provide employees with comprehensive experience. . Develop risk takers. . Generate employment. . Economies of scale and economies of scope . Opportunities for the individual. | <ul style="list-style-type: none"> . Limited and more difficulty in finding financial resources. . Inadequate management. . Difficulty in complying with government rules and regulations . Disadvantages of newness centred on the ability of SME(s) to attract resources. |

Source: Elaborated by the author

Maintain Close Relationships with Customers and Community - Small businesses usually have a more intimate knowledge of their communities and therefore know their interests better. Furthermore, they are in close contact with their customers, suppliers and community (Megginson et al., 1991). They can work in more individualised jobs and therefore attract customers on the basis of speciality products. The quality of products as well as personal service are of fundamental importance (Megginson et al., 1991).

Keep Larger Firms Competitive – Smaller firms have become a controlling factor in the economies of the countries. They encourage competition in the price, design and efficiency of products (Megginson et al., 1991).

Provide Employees with Comprehensive Learning Experience – Smaller firms are more likely than large ones to employ workers without previous work experience. Around 65% of all initial job opportunities for Americans are in small businesses (Kuehl and Lambing, 1990). Smaller firms enable employees to handle different activities simultaneously. This allows the employees to have a more varied experience than they could have in larger firms (Megginson et al., 1991). They provide employees with more variety of learning experience in work activities than they would obtain in larger ones. Performing a larger variety of functions allows people to have more freedom to make decisions. Consequently, they have more interest in employees' work experience, and small firms train people to become better leaders and develop their talents and energies most effectively (Megginson et al., 1991).

Develop Risk Takers - Smaller firms can enter or leave a business, can start small and grow big, expand or contract, succeed or fail (Megginson et al., 1991). However, sometimes risk-taking can depend on the circumstances. It can occur in situations where the survival of the enterprise can be under threat. Or the entrepreneur may be taking risks

when he or she does not have all the relevant, information and then ignores some important facts of the process (Hollensen, 2001).

Generate Employment - According to David Birch, president of Cognetics, Inc., and a researcher at Massachusetts Institute of Technology, while the Fortune 500 companies “eliminated 3.5 million jobs” from 1980 to 1989, a net total of 17.5 million were added to the economy. And “ about two-thirds of those new jobs have come from small business”. Furthermore, small firms serve as a training ground for employees. Later they go on to larger businesses as experienced workers with their more comprehensive learning experience, including risk-taking, and their exposure to innovation and flexibility (Megginson et al., 1991).

Economies of Scale and Economies of Scope - SME(s) usually concentrate on lucrative small market segments (Hollmen, 2001). Small businesses must grow in industries where the economies of scale are not important. If the economies of scale are important, small businesses will not be able to survive as a small business for a long time (Dewhurst and Burns, 1993). Usually SME(s) serve a very restricted number of overseas markets outside their home market. SME(s) can make use of economies of scope when they go into an alliance with a partner which has what the SME(s) do not have to enter the international market (Hollmen, 2001).

Opportunities for the Individual - Small firms offer hope and opportunity to the individuals that want to invest. Everyone can start his or her own business (Kuehl and Lambing, 1990). Several small business owners enjoy being their own boss. They enjoy the freedom to do things their way. The individuals can work as long as they want without any pressure to retire (Richard and Donald, 2001). Many small business owners make more money running their own business than they would working for someone else.

Furthermore, they can provide the family with a place of employment. Finally, many owners are lured by the challenges that accompany going into business for one's self (Richard and Donald, 2001).

3.3.4.2 - Disadvantages of the SME(s)

The principal disadvantages of the SME(s) are: limited and more difficulty into finding finances resources; inadequate management; difficulty in complying with government rules and regulations; and disadvantages of newness centred on the ability of SME(s) to attract resources. Each one of these were referred to in Table 3.2 and are developed below.

Limited and More Difficulty to Find Finances Resources - SME(s) firms are characterised by a lack of financial resources due to a limited equity base (Hollensen, 2001). This is the first and basic cause of failure. Without sufficient money it is impossible to acquire and maintain facilities, hire and reward employees, and other things necessary to run a successful business (Megginson et al., 1991). In addition, they often have difficulty in raising capital, face higher interest rates and are subject to greater interventions by the financiers (Tayeb, 2000).

Inadequate Management - This means limited knowledge, poor planning, and poor leadership. Usually owners tend to rely on one-person management and seem reluctant to vary from this managerial pattern. They tend to be more generalists than specialists (Megginson et al., 1991).

Difficulty in Complying with Government Rules and Regulations – It is often a higher administrative burden for SME(s) to comply with government rules and regulations. Usually, they are unlikely to have the number of administrative staff or specialists to carry

out these activities. Furthermore, they have very limited lobbying power compared with the biggest firms (Tayeb, 2000).

Disadvantages of Newness Centred on the Ability of SME(s) To Attract Resources -

SME(s) do not have an operating track record, and this makes it difficult for them to attract financiers, suppliers, customers and employers who are concerned with their future. This often happens despite the fact that the business founder has been associated with previous success. In addition, they are financially constrained if resources are scarce or competition is increasing their value on the market (Tayeb, 2000).

However, the disadvantages connected with the liabilities of newness and smallness can result in constraints on resources which can be transformed into advantages for the SME(s) through an adequate strategy of resource leveraging (Tayeb, 2000).

3.3.4.3 - Main Trends of Development

Looking back at the early 1950s, the former point of view contradicts what actually happened at the time. At that time the drive was to expand business in order to achieve economies of-scale (Mcauley, 2001). Until the middle of 1970s small businesses were declining.

In the 1970's many factors combined to influence the decline of large undertakings within economies across both Western and North America and gave way to smaller ones. Some of these factors were the impact of inflation, employers being forced to support the rising costs of social legislation and the growing success in world markets of Pacific Rim firms (Chaston and Mangles, 2002). The reduction in importance of large undertakings in Western economies was caused by shedding labour, by moving to an automatic, labour intensive manufacturing process. There were firms that were going bankrupt, others moving their production operations to other regions of the world (the developing world)

and others being taken over by Pacific Rim firms (Chaston and Mangles, 2002). One of the consequences of these events was a reduction of employees employed by larger firms. What is happening now has been reversed in different countries in the world, this being that SME(s) firms are not only responsible for increasing employee numbers but also acquiring a significant and growing share of export activities (Mcauley, 2001).

By 1980, small firms were in the centre of a political and economic debate, which offered different interpretations over its role and its recent revival (Stokes, 2002). Hence, the contenders about this debate were classified by Goss(1991) into three theories: the Free Market Theory; Marxian Analysis; and the Green Movement.

Having discussed the principal characteristics of SME(s) as well as their principal advantages and disadvantages, the following sections will refer to the principal characteristics of Portuguese and United Kingdom SME(s).

3.3.5 - Portuguese SME(s)

In 2001 there were 245 564 SMEs active, which represented 99.5% of all national business. These firms were responsible for 75% of employment (1,9 million employees) and 59% of the volume of business in the country (137,8 thousand million euros) IAPMEI (2004).

Relatively, in the previous year (2000) they grew by 16.2% compared to 3.1% growth in LSEs. This means that they were responsible for 12.3% of new jobs created, while LSEs were only responsible for 1.8 % of new jobs created (IAPMEI, 2004).

The volume of business conducted by SMEs was increased by 5.3 % compared to 2000, while the volume of business conducted by Large Scale Enterprises (LSEs) decreased by 8.6%.

In comparison with micro and small firms they represent the majority of Portuguese firms (96%) (IAPMEI, 2004). They contributed to the biggest increases in terms of new units

created (16.8% and 15.4% respectively), in the number of jobs created (17.1% and 13.9 respectively), and in volume of business (5.5% and 6.4%) (IAPMEI, 2004).

The majority of Portuguese firms belong to the extractive and transformation sectors that represent around 68 per cent of industrial employment. More than 50 per cent of the Portuguese exports come from SMEs. Small Portuguese firms are also extensive in the textile and clothing sectors. In the textile sector more than 82 per cent of firms have fewer than 50 employees. While in the fashion sector this value increases to 89.8 per cent.

3.3.5.1 - The Role Of SMEs In Portugal

The majority of Portuguese firms are SMEs. The extractive and transformation sectors represent around 68 per cent of industrial employment. More than 50 per cent of the Portuguese exports come from SMEs. Moreover, if we increase the regional importance, at these values, and the almost absolute predominance in the “service sector”, we can have an idea of the importance of SMEs firms in the economic activity of the country. The small dimension of Portuguese firms is also prevalent in the textile and clothing sectors. In the textile sector more than 82 per cent of the firms have less than 50 employees, while in the fashion sector this value increases to 89.8 per cent. The following table (3.3) shows details of the figures relating to these issues.

Table 3.3 – Number of firms

| Personnel Scale | Number of firms | |
|------------------|-----------------|----------|
| | Textile | Clothing |
| 1 to 4 employees | 775 | 2037 |
| 5 to 9 “ | 527 | 1184 |
| 10 to 19 “ | 474 | 985 |
| 20 to 49 “ | 440 | 996 |
| 50 to 99 “ | 237 | 358 |
| 100 to 199 “ | 131 | 146 |
| 200 to 399 “ | 68 | 76 |
| 400 to 499 “ | 10 | 4 |
| 500 to 999 “ | 20 | 8 |
| > 1000 “ | 7 | 1 |

Source: DETEFP

3.3.6 -United Kingdom SMEs

Up to the 1960s the number of small firms in the UK decreased and reached its lowest point. However, from 1970s the situation was reversed. In 1979 the number of small firms was 2.4 million and in 1999 this had grown to 3.67 million (Burns, 2001).

SMEs now produce more than a quarter of UK GDP. They generate 55 per cent of the employment with micro and 44 per cent with small business. They are increasing their importance in the U K economy.

However, small firms are more vulnerable to economic changes than largers ones because of their often precarious financing situation. They tend to have lower productivity than large ones, in spite of belonging to the same sector.

The sector of clothing and textile is also characterised by small and medium firms.

70 per cent of the firms employ less than ten employees. Furthermore, there are a great number of small firms that are family owned.

3.3.7 – Conclusions

This chapter commences with the definitions of SMEs according to different authors and associations. There is no one good or bad definition of SMEs. After this introduction, the importance of SMEs in the growth and development of the relevant countries was discussed. Three big areas of the globe were chosen: European countries, the USA and Japan. The advantages and disadvantages that SMEs firms can be subject to when they compete with multinationals were discussed. Finally, the importance of SMEs in recent days and the philosophy subjacent to their development were reviewed.

The next chapter is related to theories of internationalisation and the role of the firms and decision-makers in the process of internationalisation of SME(s).

CHAPTER FOUR – The Internationalisation of SME(s) and their Role in the Process of Internationalisation.

4.1 – Introduction

This chapter aims to provide an overview of the major theoretical approaches to the study of the internationalisation of the firm, thereby facilitating understanding of SMEs internationalisation as well as the determinants of the process of internationalisation of SME(s). Hence, it is contextually stated that the thematic as well as it is also the principal theories of internationalisation of firms are reviewed. Firstly, the eclectic paradigm is introduced followed by Uppsala school / psychic distance, then network theory and finally international entrepreneurship. In each theory, the principal contributions of the process to SME(s) are reviewed as well as the support and acceptance that each theory has received. The existence or not of empirical studies that support the theories, limitations and criticism that each theory has received, according to the process of internationalisation are discussed. Equally the contributions of each theory to international entrepreneurship are also referred to. Next, there will be an extensive review of the literature connected with firms' characteristics as well as decision-makers' objective and subjective characteristics. Besides the literature review, the empirical research findings that support the literature will also be introduced. In addition, the respective hypothesis will be set out to tests the veracity of the theories applied specifically in textile, clothing and knitwear sectors implemented in Portugal and in the United Kingdom. Finally, the model as well as the principal variables that form the model will be introduced.

4.2 – Contextualisation of the Thematic

During the last two decades, foreign market entry has received enormous attention among international business scholars (Bjorkmam and Ekiund, 1996).

One question usually posed within this stream of research is explaining why firms follow a certain sequence of market entry mode in an individual country.

The term internationalisation has been given many definitions at different periods in time and according to different schools. Hence, a single, universally accepted definition of the term remains elusive (Young, 1987; Welch and Luostarinen, 1988; Whitelock and Munday, 1993). Internationalisation literature tends to focus on large multinational firms in spite of the fact that SME(s) are very active in overseas markets. SME(s) firms differ from larger ones in terms of their managerial style, independence, ownership, and scale/scope of operations (Coviello and McAuley, 1999). Furthermore, SME(s) are very active in international markets and contribute to economic growth and prosperity of countries (Storey, 1994).

4.3 - Economic Theories

The main economic theory of internationalisation is the international theory. However, the eclectic paradigm integrates the major economic-based views with the internationalisation process.

4.3.1 - Eclectic Paradigm

Internationalisation is considered to be a pattern of investment in foreign markets explained by rational economic analysis of internalisation, ownership, and location advantages (Williamson, 1975; and Dunning, 1988).

The concept of the eclectic paradigm of internationalisation was first introduced in 1976 at a Nobel Symposium presentation in Stockholm on the International Allocation of

Economic Activity. The idea was to offer a holistic framework by which it was possible to identify and evaluate the significance of the factors that influence the initial act of foreign production by enterprise, as well as the growth of this production. The eclectic paradigm rests on the work of Dunning (1977, 1981, 1993, and 2000). It sets out to explain form, pattern and extent of the international production.

In spite of the fact that internalisation theory addresses the reasons firms choose Foreign Direct Investment (FDI) or other non-market methods of internationalisation, the question of why production should be located abroad was ignored by the theory. In that case, is there a location advantage to producing abroad?

John Dunning (1988) in his eclectic theory tried to answer this question. The theory combines ownership advantage, location advantage, and internalisation advantage to form a unified theory of FDI. Each one of the three elements is regarded to have a fundamental role in the investment decision by the multinational. Furthermore, each of these roles is considered to be interconnected with the other two.

Eclectic theory recognises that FDI reflects both international business activities and internal business activity of the firm. Hence, the decision to engage in international business and the choice mode is seen to depend on the combination of three types of ownership-specific advantages (O), internalisation (I) and location (L) advantages (Young et al., 1989).

The inherent competitive advantages are classified as:

a) those arising from proprietary ownership of specific assets. The firm must own some unique competitive advantages that overcome the disadvantages of competing with foreign firms in their own countries. They are certain types of technology, capital, organizational skills, patents, trademarks or trade monopolies – or those that may be acquired from other institutions, to be incorporated in their own assets – as compared to those owned by other enterprises;

b) According to the eclectic paradigm, owners of such specific endowments should transfer these assets across boundaries within their organization, instead of transacting them in the form of intermediate goods and services. The greater the perceived cost of transactional failure, the more the MNEs are likely to exploit advantages through international products, rather than by contractual agreement.

c) The capacity of MNEs hierarchies vis a vis the external market to capture the transactional benefits from common governance of the network of these assets, found in different countries. The author argues that enterprises will engage in foreign production whenever they perceive it to be in their interest to combine especially transferable intermediate products in another country. According to the paradigm, the sitting decisions are not independent of the ownership of these assets. They are sometimes determined by customs agreements, reduced transport costs or government intervention.

Later in an update of the eclectic paradigm, Dunning emphasised the structural and transactional failure (Young et al., 1989). In relationship to the ownership advantages of MNEs, the differentiation is made between the assets and transaction advantages of multinationals. Internationalisation continues to be important because the internalisation of markets relates to overcoming risk and uncertainty and exploiting economies of large-scale production. Furthermore, there is the desire of firms to integrate different stages of production, engaging them in product diversification (Young et al., 1989). Finally, location advantages, where the distinction between structural and transaction factors are again carried out.

The advantages of particular MNEs may vary according to the factor endowment and other characteristics of the countries from which they originate and/or in which they operate, and the technological and other features of the activities in which they engage. Dunning (1997) mentions the cases of West German firms in chemicals and UK firms in food and tobacco products, among others, to illustrate the country-specific endowment.

The author addresses the extent to which differences in the behaviour of firms can be embraced by the OLI (ownership, location, internalization) theory. He considers it can be done insofar as it is possible to identify and evaluate patterns of industrial behaviour. However, he notes that there has been little research on behaviour-related variables influencing the extent and patterns of international production.

In re-stating the eclectic paradigm, the author has persuaded that any holistic theory of international production might draw upon two inter-related strands of economic analysis – neoclassical theory of factor endowment, extended to embrace intermediate products, and allowance for the possibility that some endowments are mobile across countries. All things being equal, the more uneven the geographical distribution of factor endowments, the more international production is likely to take place. The second strand is the theory of market failure, which is relevant to explaining not only the location of some kinds of economic activity across national boundaries, but also the division of the activity between multinational and uninational firms. All things being equal, the higher the transaction cost of using the market as a transactional model, and the greater the efficiency of the MNE, as coordinator of geographically dispersed activities, the more international production is likely to take place.

4.3.1.1 - Criticism

In criticising the eclectic paradigm, Aliber (1983) highlighted that the MNEs key attribute is that they finance at least part of their foreign products in their home currency. Dunning (1988) claims the uniqueness of the MNEs is their ability to dominate their geographically dispersed assets in different currencies and, by doing so, taking advantage of structural or transactional imperfections in international capital and foreign exchange markets. However, Dunning (1988) does not find Aliber's theory to be incompatible with the eclectic paradigm. He adds that Aliber (1983) does not take into account the non-financial aspects of the international operations of firms.

Kojima (1978, 1982) criticises the eclectic paradigm for being too micro or business economic oriented, claiming it to be of limited use for policy formation by home or host countries. Dunning (1988), in turn, adds that since Kojima's approach is neoclassical, it can neither explain nor evaluate the welfare implications of these types of foreign direct investments prompted by the desire to rationalize international production and to benefit the common governance of cross-border activities. He also adds that Kojima (1978, 1982) largely ignores the essential characteristics of MNEs activity, namely the internationalisation of intermediate products.

Dunning's studies re-evaluated the benefits of firms going abroad. A systematic approach, which combines production and marketing, was becoming strategically important for the firms. Firms have shown increased interest in going overseas due to the increasing need to go international, pressure to procure cheapest inputs, efficiency seeking, the opening up of new markets, considerable changes in location costs and benefits and a strong desire to strike a balance between globalisation and localisation.

There is a complementary relationship between the imperfections present in imperfect market structures and transaction cost imperfections, which combines with the location of comparative advantage to predict the firm's optimum foreign market entry mode (McDonald, 2002).

At industry level, and in its elementary form, the eclectic paradigm can explain the likely direction of foreign trade and investment in particular industries at the level of the firm. If there is an abundance of ownership and internalisation advantages and location advantages in the home economy, the industry will tend to be export-oriented. Alternatively, if there is an abundance of ownership and internalisation advantages and location disadvantages in the home economy, the industry will display a bias to servicing markets abroad through FDI. If an industry has foreign competitors with greater ownership, internalisation advantages and location advantages, the inherent penetration will occur. Finally, if foreign

industries have location disadvantages but greater ownership and internalisation advantages the industry would experience inward FDI (McDonald (2002).

In conclusion, the principal focus of the eclectic model is about explaining the choices concerning internationalisation made by firms. It focuses on MNEs and not on SMEs and the contributions of MNEs to the international activities. The approach of this thesis is about SMEs and not MNEs. The eclectic models seem to be of very limited value in analysing and understanding the process of internationalisation of SME(s). The principal contributions from eclectic paradigm to the internationalisation theory of SME(s) come from Dunning (1980; 1988) and it is summarised in appendix (A1).

The eclectic paradigm assumes that a firm develops an ownership advantage domestically for international applications (Dunning, 1988). Eclectic theory does not produce any testable hypotheses that enable their falsification (Dunning, 1988).

Having discussed the principal contributions of the eclectic paradigm as well as their principal limitations to the process of internationalisation of SME(s), the next section will refer to the principal contributions of behavioural theories to the process of internationalisation of SME(s). For a proper contextualisation, see (fig 4.2)

4.3.2 - Theories of Internationalisation (Behavioural Theories)

4.3.2.1 – Introduction

This section begins to discuss the principal theoretical contributions of the Uppsala theories to the process of internationalisation of SME(s). Secondly, another form of penetrating foreign markets is introduced – psychic distance. After being introduced these theoretical views are discussed with principal criticisms to the behavioural theories. Finally, the principal contributions of each theory to the process of internationalisation of SME(s) are enumerated.

4.3.2.2 - Stage Models of Internationalisation

The stage model is based on organisational growth, behaviour and learning theory in order to capture internationalisation (Young, 1987; Johanson/Vahlne, 1990 and Melin, 1992). There are several stage models, as summarised by Thomas and Araujo (1985). However, the first and most influential is that of Johanson and Wiedersheim-Paul (1975), further developed by Johanson and Vahlne (1977).

4.3.2.3 - The Uppsala Model

Generally known as the Uppsala model, “incremental” or stage theory. In contrast to the traditional approach referred to previously, the Uppsala model of internationalisation views internationalisation from a learning and evolutionary perspective (Forsgreen, 1989; Johnson and Vahlne, 1997). It is influenced by increased market knowledge and commitment (Coviello and McAuley, 1999).

The theoretical foundation of this model is derived from the theory of company behaviour (Cyert and March, 1963; Aharoni, 1966); and the theory of company growth by Penrose (1959).

According to Strandskov (1986) the theories of export behaviour emphasise that the internationalisation of firms is a continuous process with the firm gradually increasing its level of international involvement and commitment.

This statement is substantiated by Johanson and Mattson (1985; 317) who claim that this international procedure is “a gradual step-by-step commitment to sell and to manufacture internationally as part of a growth and experimental learning process”.

The authors add that the “process” is a model associated with research, on internationalisation of the Swedish manufacturing industry carried out by the University of Uppsala.

Johanson and Wiedersheim-Paul (1975) state that, in the case of most Swedish firms, this internationalisation process is gradual “rather than large, spectacular foreign investments:

A parallel is drawn with many firms from other countries with small domestic markets” as in the case of Sweden.

The above mentioned process has been extensively developed in Sweden by the Uppsala School, whose theories became known from 1975 onwards through the works of Olson (1975); Johanson and Wiedersheim-Paul (1975); Johanson and Vahlne (1977); Bilkey and Tesar (1977).

This school presents the internationalisation process in the form of four stages. This classification is based on extensive experience with Swedish firms and is known as the market entry forms:

1. No permanent export; 2 - export via an agent; 3 - export via sales subsidiary and finally production in a foreign subsidiary.

This evolutionary process involves foreign experience, which enables the exporting firm to successfully accumulate learning over time. The firm adjusts it to foreign markets, and knowledge and experience are used aggressively to improve the match between the organisation and its international environment.

This sequence of four stages, which Johanson and Wiedersheim-Paul (1975) call the establishment chain, means a successively larger resource commitment, as well as the acquisition of quite different market experiences and information for the firm.

4.3.3 - Cultural Dimensions / Psychic Distance.

To explain internationalisation across country markets, it was hypothesized that firms would look and enter into new markets with constantly greater psychic distance.

The concept of psychic distance has been referred to as the factors preventing or disturbing the flow of information between market and firm, in which are included differences in languages, culture, level of education, and political systems, Nielson et al., (1999).

perceived the importance of cultural similarity in different dimensions such as language, business habits, cultural environment, legal environment, etc. Hence, psychological distance represents the perceived dissimilarity between domestic and foreign markets.

The stage and psychic distance approaches look at internationalisation as a dull, managerial process based on a sequential internationalisation process that comes from the simple to the more complex in a linear fashion (Johanson and Vahlne, 1990; O' Grade and Lane, 1996; Nielson et al., 1999).

Thus, according to this point of view, firms initiate their process of internationalisation in nearby countries and subsequently enter foreign markets at a successively greater "psychic distance". This means they begin to export to countries with very similar characteristics in cultural, economic and political terms, as their own.

According to this view international operations begin with the simplest type of internationalisation – exporting – and progress to more complex activities such as foreign direct investment - FDI - (McDonald, 2003). Entrepreneurial activity concentrates on a gradual process which reflects an ongoing learning and innovation that enables the firms to enter internationalisation through a sequential process. Exporting to countries that are psychically close reduces the level of uncertainty firms face in new markets (Johansson and Vahlne 1992). In addition, the risks can be minimised by careful and systematic planning.

Behian (1969) confirms that gradual internationalisation is not exclusively a Swedish issue, through their references to case studies on United States multinationals, such as Singer, National Cash Register and United Show Machinery.

Studies undertaken by Welch (1980) of 228 Australian outward direct investment cases reveal that in 39% of these cases, there was no pre-existing host country presence. The author claims that this can, to some extent, be explained by the high proportion (43.8%) of service firms involved in the investment activity, given that it is often more difficult to operate with intermediate steps to the foreign investment stage in the services sector

(Bureau of Industry Economics, 1984). In spite of this, Bell (1995) found support for psychic distance in his study about small computer software firms in Finland, Ireland and Norway. Furthermore, Coviello and Munro (1997) also found limited support for the notion of psychic distance in their study of four small internationalising computer software firms in New Zealand.

There are numerous researchers challenging the validity of the psychic distance postulate. According to them there are factors other than psychic or geographic closeness that are fundamental in the selection of an initial country market.

For Bell and Young (1998) the factors influencing foreign market selection had changed by the time the Uppsala researchers first announced the psychic distance principle. Nowadays the relevance of the psychic distance principle concept in the globalise world is diminished and other factors such as those related to industry, level of foreign market demand, relationship with existing and prospective clients and global communication are more influential on initial and ensuing foreign market selection.

Lindqvist (1997), in his study on small technology-based Swedish firms, arrived at the conclusion that early market selection was much more influenced by large market potential and access to advanced customers than by psychic distance factors. Earlier studies from Oviatt and McDougall (1995) and Jolly et al., (1992) conclude that the firms often target leading markets from the beginning and follow clients into specific foreign markets and target lead markets rather than follow the psychic distance.

Consequently, "psychic distance" and "stage theories" can no longer be acknowledged as a core assumption pertaining to the internationalisation process. More powerful effects on initial and ensuing market selection and entry decisions are applied by the level of foreign market demand, relationships with current or potential clients, policy intervention and the level of foreign market demand (Hooley et Newcombe, 1983).

Johanson and Vahlne (1977) researched and created a dynamic model whereby effects of an action could lead to the next stage of activity. They go one step further in the

conception of the sequential process, by also emphasising the links between resources commitments, the approach used to acquire market information, through the establishment of subsidiaries abroad. They emphasise the “in loco” learning process, involving gradual acquisition, internalisation and utilisation of market information, as their market involvement grows.

According to these authors, the internationalisation process is the result of small adjustments by the firm to environmental changes, rather than the result of a deliberate strategy.

The international pattern is represented in a diagram by the authors, and is founded, to a large extent, on the need to obtain market knowledge in international operations.

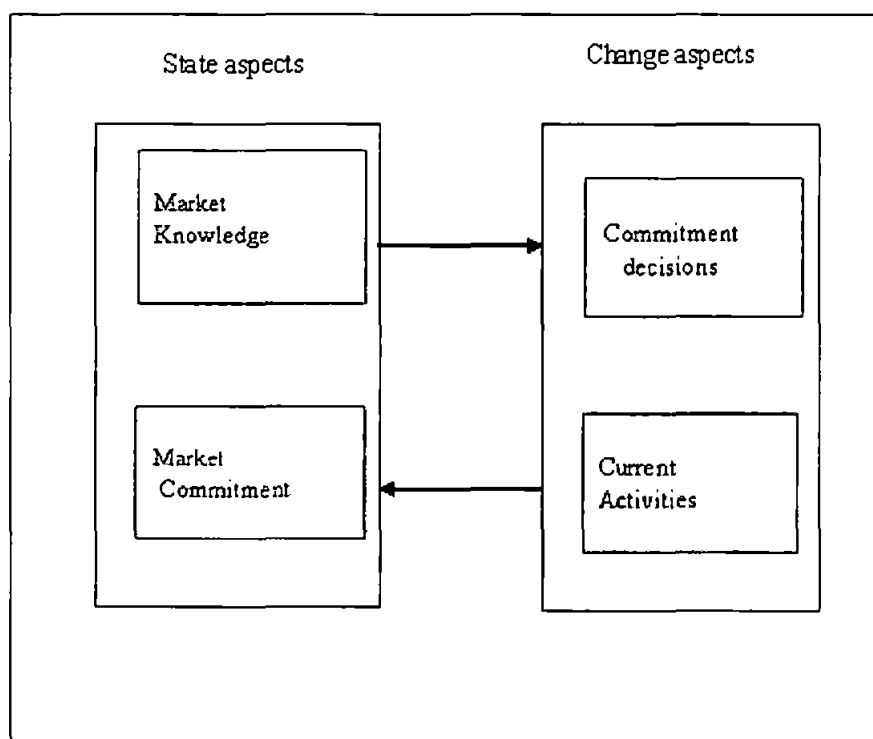


Fig 4:1 Uppsala Internationalisation Process Model

(Source: Johanson and Vahlne, 1977: p. 26)

The state aspects of internationalisation are market commitment and market knowledge.

The change aspects are current business activities and commitment decisions.

The state dimension represents market commitment (the quantity of resources committed and the degree of commitment attributed to foreign markets) and market knowledge (knowledge about everything that is connected with foreign markets and operations). The change dimension, on the other hand, concerns commitment decisions (decisions to commit resources to foreign operations) and current activity (attention to the time lag between current activities and their consequences).

According to a postulation by Johnson and Vahlne (1977) market knowledge and market commitment both affect, and are affected by, commitment decisions and current activities.

The Uppsala model has grown out of empirical research about Swedish firms competing internationally (Carlson 1966; 1975). It could be expected that the model's validity is restricted to countries which are rather small and highly industrialised. However, research carried out later in different countries gave empirical evidence to support the model. Thereafter, empirical research carried out by Bilkey (1978), Bilkey and Tesar (1977), and Cavusgil (1980, 1984) supported and were consistent with the model. Further, Dichtl et al., (1984) also arrived at consistent results, supporting the model. In addition, Davidson (1980, 1983) and Denis and Depelteau (1985) argued the same point as their former colleagues. These empirical studies were carried out on US firms going abroad. Identical results were also obtained in studies of Hawaiian export firms (Hook and Czincota, 1988), Turkish exporters (Karafakioglu, 1986), Australian firms (Barrett, 1986) and Japanese firms' export strategies (Johanson and Nonaka, 1983). Another study supporting the model came from the US entry by acquisitions and joint ventures (Kogut and Singh, 1986). An identical conclusion was obtained by Bello and Barksdale (1986) in a study of US firms exporting to industrial countries.

This illustrates that the model gained strong support in studies carried out in different countries and in different situations.

A study carried out in the United Kingdom by Turnbull (1987) found that the marine diesel engines, vehicle components, and telecommunication industries did not follow an incremental stage path to internationalisation. According to the author a firm's stage of internationalisation is largely determined by the industry structure, its own marketing strategy and operating environment. There are other studies that support the existence of firms that do not follow the traditional path to internationalisation: (Varaldo, 1987) in Italy; (Roux, 1979) in France; (Garnier, 1982) in Norway; (Chang and Grub, 1992) in Taiwan; (Buckley et al., 1991) in the United Kingdom and (Buckley, 1982) concerning Europe in general.

In a study carried out by Hedlund and Kverneland (1985) on Swedish firms in Japan, no evidence was found in the development patterns of these firms to support the internationalisation process model.

Other studies have shown that the internationalisation process model is not valid for service industries. A concrete example is the case of the process of internationalisation of Swedish banks where the foreign establishments are not orientated by cultural distance (Engwall and Wallensta, 1988)

Finally, Newbold et al., study (1979) of 43 small firms from the UK and their manufacturing subsidiaries demonstrates that 36 out of 43 firms established their first manufacturing subsidiary without first having formed a sales department in the country. The authors believe that the stepwise industrialisation model is less valid in situations in which both the market and the firm are highly industrialised. They go on to say that they would expect the Nordic internationalisation model to be the most valid in the Early Starter case, and less valid in the internationalisation, among others, stage.

4.3.3.1 - Criticism of Traditional Internationalisation Stages Theory

Despite internationalisation stage theories having gained considerable support empirically, they have also been subject of widespread criticism from both the theoretical and operational levels.

Hedlund and Kverneland (1983) criticised the step-by-step conception on the grounds that empirical support is weak, due to the methodological limitations of previous studies. They also question some of the assumptions that provide speculative support to the theory, particularly in view of changes in the international business environment and in the company's ability to manage international operations.

Turnbull (1987) considered the major problem to be a definitional one. He argues that the measure of internationalisation is conceptually difficult, particularly in multi-product, multi-divisional firms, where export dependence, number of export markets served and export structure vary, across and among business units.

Another criticism comes from Reid (1983) who contrasts the sequential approach to the contingency approach, where a reversal of steps occurs, and where the "stages" of internationalisation are largely determined by the operating environment, industry structure and marketing strategy of the firm. Several studies have found that the management of internationalisation firms usually consider a variety of strategic approaches (Buckley, 1982 and Root, 1987).

As hypothesised by Johanson and Wiedersheim-Paul, (1975), greater international experience should lead to jumps in the establishment chain, without having to go through each stage in each separate market. This hypothesis is supported by Welch, (1988), and Aharoni (1966) who emphasise the benefits of learning across the firm, in other words, from other foreign markets.

Hedlund and Kverneland (1983) argue that industrial countries that have developed organisational structures are far more capable of dealing with environmental difficulties. One way therefore is to find an increasing tendency for these companies to shorten their

time of penetration, make more substantial investments and thus increase their commitment to larger steps, especially on large and rapidly growing markets.

Strandskov (1986) acknowledges that the Uppsala step-by-step model is perfectly valid in the case of a unilinear process of evolution of internationalisation, in which the same forms, directions and patterns are expected to appear over time. However, in the case of the cyclic process of evolution, a successive transformation to stages of higher complexity and differentiation, this incremental, sequential process is too rigid. Such Cyclic process of evolution is often called periods of revolution. It is a strong conviction for Johanson and Mattsson (1988) that both internationalisation and internalisation models leave out characteristics of the firm and of the market which should be considered in the case of "global competition" and co-operation in industrial systems.

Young (1987) stated that alternative strategies – such as licensing and joint-ventures were being adopted more frequently by smaller enterprises as initial foreign market entry modes. The establishment and growth strategies on foreign markets are moving toward more direct and rapid entry modes than those implied by slow internationalisation process, principally amongst high-technology firms and networks nets.

The theory has been criticised because it is not able to explain internationalisation completely since at times firms may jump stages and begin internationalisation by setting up a subsidiary (Gankema et al., 2000).

Sequential types of evolutionary internationalisation process have also been subject to criticism by network theories that predict a non-sequential process of internationalisation driven by network linkages that supply firms with the knowledge, finance, and human capital expertise that enhances international growth and development (Johansson and Mattsson, 1988; Benito and Welch, 1994; Vatne, 1995).

Research on internationalisation by SME(s) has also criticised the sequential view of internationalisation (Coviello and McAuley, 1999; Jones, 1999; Autio et al., 2000). In other words, internationalisation may not be based on geographical and physical proximity,

but on the evolution of networks and learning process. Therefore, internationalisation is seen as a non-sequential process conducted across large geographical and physical distances (MacDonald, 2003).

It is the linear progression "stages" of internationalisation that have been questioned, as well as the basic theoretical assumption of the Uppsala model. A linear relationship between market knowledge and market commitment was researched by Erramilli (1991).

4.3.3.2 - Uppsala School and the Process of Internationalisation

Despite all the criticisms and weaknesses formulated, the Uppsala model has provided a general conceptualisation of SME(s) firm's internationalisation.

It explains the traditional incremental internationalisation of firms over time (Johanson & Vahlne, 1990; OECD, 1997). As we have seen before, the Uppsala step-by-step model is completely valid in the situation of a unilinear process of evolution of internationalisation. It is extremely valid for these firms, which do not have international experience, knowledge and resources which frequently internationalise step by step. To internationalise gradually is their best strategy. Hence, they can acquire experiential knowledge so as they may simultaneously minimise risk and operate within their resource constraints. However, there is evidence that supports the fact that small firms often deviate from the staged sequential process suggested by the Uppsala School.

The Uppsala model has been used as an investigation tool both by large and small firms with the focus on explaining the development of international activities.

There are different ways firms can choose to internationalise, the choice of method depending on several circumstances. This process has been evolutionary not only in the experience obtained by the firms, but also in the economic, social, and technological development obtained. This approach can no longer be accepted because many of their fundamental tenets are fatally flawed.

Consequently, the problem of cultural dimensions / psychic distinctive view was also an object of our reflection. And as such, their principal contributions to have a propensity to export – respective research focus and main findings are summarised in appendix (A3).

The principal contributions of behavioural theories as well as their principal limitations to the process of internationalisation of SME(s) having been discussed in the present section, the network theory will be introduced after a depth analysis first about the international environment, then national environment and finally firm's competitiveness. For more details see figure 4.2.

4.3.4 - The International Environment

The environment is all the forces surrounding and influencing the life and development of the firm. The macroenvironment (also called the “far” or “remote” environment) is the part of the environment over which the firms can rarely exert any direct influence (Stonehouse et al., 2004). The forces can be classified as external or internal. The external forces are uncontrolled and consist of the following:

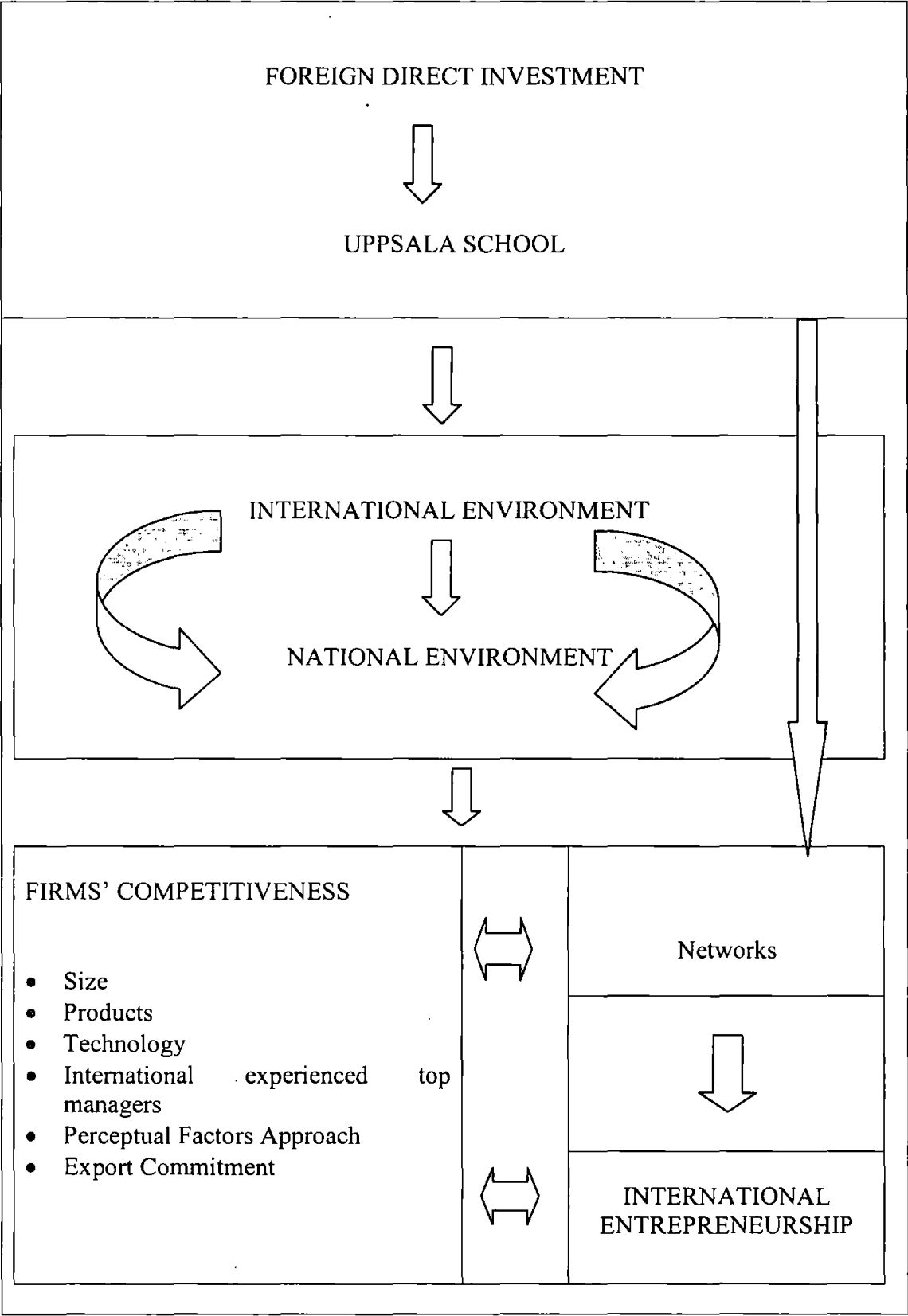
the political, economic and financial, social and cultural, technological and legal environments.

The political environment – over the last decades substantial influences have occurred.

Some of the most important according to Wood (2001) were:

- the integration of less developed countries (LDC) and formerly centrally planned economies into the international economy.
- the role of major world institutions such as the OECD, World Bank, World Trade Organisation (WTO), and the European Commission.
- The difficulties (and opportunities) arising from economic inequalities across the world.

Figure: 4.2 – The Importance of Environment in the Theories of Internationalisation of SME(s).



Source: Elaborated by the author

The principal economic environmental modifications over the last century according to Wood (2001), were :

- the increased competition arising from greater freedom of world trade.
- the changing distribution of economic activity in the world arising from the importance of regional trade blocks.
- the threat created by increased levels of foreign direct investment, made easier by highly efficient international financial markets.

Social and cultural environment – culture is the collective term for a complex blend of values and norms. In international marketing, regional and national cultures are very important in determining whether groups of customers will perceive benefits, understand the same communication or make similar associations for cultural symbols (Bridgewater and Egan, 2002). Furthermore, and according to Hutton (1988), international marketing should also take into account cultural variation on the basis of languages, religions, ethnicity, education systems and symbols.

The technological environment – substantial and important modifications occurred at the level of technology. The most important were:

- new market in the areas of telecommunications, especially the internet, providing firms with easy access to worldwide customers and distributors liberalisation, in production, transportation and communication.
- the speed, quality, and efficiency of international communications and transportation have reduced the transaction costs of multinational interchange (Porter, 1990).

- effects on both production processes and product design and specification. The progress from traditional automated mass production systems, via numerically controlled methods (CMC) and computer aided design and manufacturing (CAD-CAM), into flexible manufacturing systems (FMS).

Furthermore, it becomes extremely easy to acquire knowledge about doing business overseas, principally through the universities, business schools, and management training centers (Nordstrom, 1991). There is a vast number of managers with previous experience of doing business abroad that can be hired by firms (Nordstrom, 1991). Then, firms can get information about foreign markets(Nordstrom, 1991). Finally, it appears that the competitive situation in highly internationalised industries has become increasingly oligopolistic (Solvell, 1987; Johanson and Mattsson, 1988).

With all the modifications occurring in political, economic, social, technological and legal environments, along with the homogeneity of markets in the world, the simplification and shortening of the process of firm internationalisation will happen. This means, the firms do not follow the theories of incremental firm internationalisation, but it does not mean that established theories are less applicable in an expanding number of situations where firm capabilities, technology and specific industry environments have changed.

4.3.4.1 - National Business Environment

Decisions about internationalisation are influenced directly and indirectly by the home environment (Meyer and Skak, 2002). The domestic environment is constituted by the non controllable forces originating in the home country that influence the life and development of the firm. They consist of the following:

The Political Environment – the business community prefer a political environment that is fully supportive of the interest of business and which is followed by policies that are consistent and predictable (Phillips et al., 1994). Both countries in the study - Portugal and the UK - have stable and democratic regimes, and both belong to several democratic and international organisations. The most relevant are the European Union and NATO.

The Economic Environment – the economic environment affects business activities within a country. There are a number of indicators that are necessary for assessing an economic environment in which the SME(s) operational activities are contemplated. These include an assessment of population, per capita income, income distribution and the type of economy (Monye, 1997). In economic terms, income distribution and population are substantial differences between the two countries. The UK belongs to the most industrialised countries in the world (G7) while Portugal has a modest position among the 25 European countries. In terms of population, the Portuguese population is smaller, at 11 million, while the UK's is around 40 million.

Socio-Cultural Environment – culture can be conceptualised in different ways. According to Onkvisit and Shaw (1993) “culture is a a set of traditional beliefs and values that are transmitted and shared in a given society. Culture is also the total way of life and thinking patterns passed from generation to generation“ It means different things to different people because the concept encompasses norms, values, customs, and mores. In spite of both countries being part of the European Union the socio-cultural differences are significant. Portugal is a mediterranean country and has a mediterranean culture while the UK is an Anglo Saxon country.

Technological Environment – technology has become the key factor in determining the international competitiveness of a company in the conduct of international business.

As the impact of technology increases, the significance of regional and local differences is reduced (Dussuage et al., 1992). Hence, technological evolution and the growing importance of technology encourage globalisation of markets. Levitt (1983) affirmed the following: “a powerful force drives the world a converging commonality, and that force is technology. It has proletarianized communication, transport and travel”. This means, all the firms that will be able to maintain their evolutionary nature of technology will remain competitive. Of course there are managerial implications in the emergence of new technologies. In technological terms there are also significant differences. The UK is more developed.

The Legal Environment – this relates to the laws and regulations governing the conduct of business activities in the market. It may be expressed in function of the socio-cultural, political and ideological orientation of a country (Monye, 1997). In spite of there being a tendency for a uniformity in laws among the European Countries, Portugal and the UK are also two countries with different cultures and consequently different laws.

4.3.4.2 - Firms' Competitiveness – Competitive Advantages

According to Dunning (1993) the “ownership advantages” include internal assets, capabilities and resources created in collaboration with firms in their domestic and international business network, or then shared in the wider business environments. They are personified in its institutions, culture or shared knowledge.

Company size - size of the firms is not as important as it was in the past. As stated by Shuman and Seeger (1986, p. 8):

“ smaller businesses are not smaller versions of big businesses... smaller businesses deal with unique size-related issues as well, and they behave differently in their analysis of, and interaction with, their environment.”

In addition, Calof (1994) affirmed that size is not at all a problem to internationalisation, and the smaller firms have also found unique ways to overcome their “smallness” (Bonaccorsi 1992, Gomes-Casseres, 1997).

Technology - the technological is developed under the influence of national culture, common knowledge and institutions. The country-specific knowledge develops both within its environment and within the firm (Johanson and Vahlne, 1990). It is accumulated by interaction with the environment and business partners. Technology is an important factor in the operation of the market, in establishing the competitive position of the firm in international market, and in determining the factor productivity (Braun and Senker, 1982). In addition, the substantial and important modifications at the level of communications, transport, and liberation of production allow the smallest firms to internationalise quickly and become an important variable in the process of internationalisation of SME(s). Finally, the networks are extremely appropriate and can take a dynamic view of technology.

Products – each firm attempts to differentiate its products from those of rival firms. Extensive corporate resources were referred to as a reason for some firms taking larger steps in their internationalisation (Johnson and Vahlne, 1977). Furthermore, possession of unique assets is another internationally sustainable advantage and it is well recognised (Barney, 1991; Caves, 1982; Hamel and Prahalad, 1990; Stalk et al., 1992). Valuable unique assets should permit firms with more limited resources to enter the international arena. To conclude, the networks are fundamental in all this process of developing and transforming products.

Internationally Experienced Top Managers - the knowledge and experience of a firm's top management team is a contributing factor for the early process of internationalisation of many SME(s).

Reuber and Fischer (2004) state that the knowledge and experience of a firm's top management team is a critical firm resource and it is a contributing factor to early exporting and internationalisation. They get their experience throughout the national business environment and they share knowledge of other countries' culture, business, languages, education, personnel contacts and experiences abroad. The experience of these professionals obtained in similar markets can be applied and entered into new markets quickly (Johansson and Vahlne, 1990). Furthermore, the executives with previous experience become more comfortable with the thought of doing business in foreign environments. Finally, the companies can gain access to the knowledge of other professionals through their business network, without having to follow all the steps (Eriksson et al. 1997).

Perceptual Factors Approach – among the various approaches dealing with the questions of why firms export and what the motivational factors for exporting are, is the “perceptual factors approach”. This approach emphasizes the perception of the export decision-maker with respect to risk, profitability, and costs. In this research, both internal stimuli (excess of capacity) and external stimuli (trade fairs) are significant conditions for exporting, but not themselves sufficient (Pope, 2002).

Export Commitment – commitment to international activities increases as firms learn more and therefore become less uncertain about foreign markets (Bilkey and Tesar, 1977; Johansson and Vahlne, 1977; Kedia and Chokar, 1986). The process of gradual acquisition of knowledge of foreign markets and operations is associated with incremental increases in

commitment to foreign markets (Johansson and Vahlne, 1977). Commitment level has been heavily studied as a predictor of export initiation (Cavusgil 1984a; Bello and Barksdale 1986; Sullivan and Banerschmidt 1988). Wiedershein-Paul et al., (1978) was the first author that suggested the positive relationship between the export commitment level and export performance. Later, Cavusgil and Nevin (1980) proposed a conceptual model in which export commitment is casually related to export performance and this relationship was confirmed in the empirical study.

All the above factors constitute the national competitive advantages, which are a foundation of firms' competitive advantages, determining the country's outward international business.

In the next section we are talking about networks. Network theories do not necessarily negate the notion of physical distance or challenge existing views concerning the incremental nature of internationalisation. However, it is a process much more complex and less structured than the earlier theories.

4.3.5 - The Network View of Internationalisation and the SME(s)

4.3.5.1 – Introduction

This section focuses on the origins of this new theory as well as their principal characteristics and types of associations that they can make. Secondly, the view of how networks approach internationalisation is introduced. Next, the contribution of the networks to the process of internationalisation of SME(s) is discussed. Then, support and acceptance that networks have received as well as limitations and critics to the process of internationalisation are laid out. Finally, their contributions to the process of international entrepreneurship are assessed.

4.3.5.2 -The Network View

Network theory has its roots in sociology rather than economics, and because of this it takes a contrasting view of the firm's links with its environments (Johansson and Mattson, 1988; Axelsson and Johansson, 1992; and Blankenburg-Holm, 1995). Alternatively, at the school of internationalisation (economics and behavioural school) a new form of internationalisation research has taken place resulting in a different view.

The traditional schools of internationalisation defend the same form of strategic decision-making behaviour over time, with planning being central to the parent firm.

This new alternative focuses on non-hierarchical systems where firms invest to strengthen and monitor their position in international networks (Johansson and Mattson, 1992; Sharma, 1992). Hence, the sequential type of internationalisation evolutionary process has also been criticised by network theories. It criticises the behavioural approaches because they do not emphasise the strategic motivations of firm relations, and principally the importance of project-based links with clients. The principal asset of small firms must be an established pattern of external contacts (McDonald et al., 2002).

Several terms are used to define a new form of continuous collaboration between the firms in order to acquire trust and reputation (Gulati, 1995). The terms used are: production nets, networks, clusters, constellations or virtual corporation. For this work we have used the word networks, which means two or more organizations involved in relationships.

4.3.5.3 - Network Theory

The network theory of internationalisation is a relatively recent theory associated with Johanson and Mattson (1988). According to the authors a firm's success in entering new markets is much more dependent on its position in a new network within present markets than cultural characteristics and the market. The theory emphasises the social exchange and resource dependency and focuses on firm behaviour in the context of an interpersonal

relationship. Having introduced the network theories, network characteristics will be now introduced.

Networks are usually characterised as sets of exchange relationships between organisations and people. And the elements of exchange can be products or services, information, financial or social elements. (McAuley, 2001). The networks can be more than social groups and according to Yanagida (1992: 86), he states the following: *"they can be active and energetic organisations that challenge individual members and provide a forum for the exchange of information"*. Perhaps more importantly, according to the author, the networks provide the following: *"they offer business people a powerful tool in their own personal development as well as in the development of their business"*. Finally, business network can be defined as *"Linkages among firms. It provides external sources for various types of input that complement or substitute for a given firm's inadequacies"* (Malecki and Tootle, 1996: 21). The thrust of this theory is based on the fact that firms internationalise with the aim of taking advantage of other resources or assets owned by international firms.

4.3.5.4 - The Position of Each Firm in the Network

Each firm is involved in a network of business relationships comprising a differentiated number of firms-clients, clients' customers, competitors, supplementary suppliers, suppliers, distributors, agents and consultants and other public agencies (Johnson and Vahlne, 1990)

In social networks the authors consist of relatives, friends and acquaintances. Its social function is like an opportunity set (Premaratne, 2001). Supporting networks are comprised of supporting agencies, namely banks, government agencies, and non-government organisations (Premaratne, 2001). Finally, inter-firm networks are essentially organisations (Premaratne, 2001).

The firms within the network are dependent on each other, and for this their activities need to be co-ordinated.' Several empirical studies show that the firms in an industrial sector develop and keep a co-operation agreement with other firms whether or not they belong to the same industrial sector. Among these studies see Turnbull and Valla (1986); Mariti and Smiley (1983); Jacquemin (1986); Monsted (1992); Raffa (1992); and Raposo (1994). This relationship develops into interdependence. This interdependence is a characteristic of industrial co-operation. In addition, a significant number of traditional export studies inform that a very large amount of exporting activities begin with the customer (Coviello and Munro, 1995). Furthermore, this type of approach is also common where strategic alliances, partnerships and joint ventures are utilised to achieve desirable outcomes (Johanson and Mattson, 1986).

4.3.5.5 - The Network View of Internationalisation

According to a network perspective, internationalisation means entry into markets in which each has a different web of factors and relationships (Tayeb, 2000). Another point of view about network approaches on internationalisation, which is more sophisticated, comes from McDonald, who states the following:

Network approach on internationalisation suggest that entrepreneurial activity is based on efforts to develop international networks, including co-operation with potential competitors, to provide assets and information needed to internationalise activities.

(McDonald et al., 2003: 367)

Network approach argues the process of internationalisation is based on relationships and links that maximise the opportunities for gathering and processing knowledge. However, it

must be assumed that there are differences, not only between countries as to the international extension of the networks in the country but also between products regarding the internationalisation of the relevant networks. In terms of network and according to Johanson and Mattsson (1988), internationalisation means that the firm develops business relationships by networking in other countries. This can be reached through: 1 – the establishment of relationships in country networks that is new to the firm, i.e. international extension; 2 – the development of relationships in those markets, i.e. penetration; and 3 – connecting networks in different countries, i.e. international integration.

According to the network approach firms invest to strengthen and monitor their position in international networks (Johanson and Mattsson, 1988, 19992; Sharma, 1992). Furthermore, the firms internationalise due to other firms in their national network also internationalising (Tayeb, 2000). Finally, networks are also important for international marketing, where the phenomenon of “born global” is highlighted in order to help the SME(s) internationalise.

For this school of research, internationalisation depends more on an organisation’s set of network relationships than a firm-specific advantage. This means that externalisation comes above internationalisation (Coviello and McAuley, 1999). Informal and interpersonal contacts are thought to be fundamental for the process of internationalisation of small firms. The internationalisation decisions and activities in the network perspective emerge as models of behaviour influenced by various network members. The network perspective introduces a “more multilateral element” to internationalisation compared with the unilateral process suggested by the stage models of Johanson and Vahlne’s early work, and reflects their research exploring the management of foreign market entry.

However, this internationalisation type also has its limitations. For example, in more advanced economies, the difficulties increase because the actors tend to have long established and stable relationships (Kinch, 1992). Moreover, additional problems may arise for new entrants because it is difficult to form links with a distributor who is not

supplying products for the other elements of the network. In addition to this, if the network of relationships in the host market is rapidly changing (consequence of emerging markets), the opportunities apparently increase, but it is more difficult to identify appropriate partners and attractive investments. Finally, to follow this internationalisation, firms need to acquire a great deal of information and assets from international networks in order to pursue their internationalisation.

4.3.5.6 - The Network Model and the SME(s)

The networks have a fundamental importance if we look at the characteristics of SME(s) and at the entrepreneurs running them. SME(s) have limited resources for this and are at a disadvantage in relation to large firms. Learning, innovation and resource co-ordination elements are important issues for the SME(s) trying to enter international markets. Hence, the network model of internationalisation represents a useful framework. It involves considering how relationships in the domestic, target and third markets are utilised for market entry (Axelsson and Johanson, 1992; Johanson and Mattsson, 1995). This model of internationalisation consists of four different approaches proposed by Johanson and Mattsson (1995) according to the degree of the internationalisation of the market and the degree of internationalisation of the firm (see next figure).

The early starter is characterised as having few and/or not important relationships with foreign firms and this situation is common of the market as a whole (Johanson and Mattsson, 1995). The mode of entry in international markets is not very different from that described above concerning the stages model of internationalisation.

The lonely internationalisation is characterised as having a high degree of internationalisation and being ahead of the rest of the market in having established overseas relationships and experience and in having the resources necessary to allow it to act independently (Johanson and Mattsson, 1995).

Fig. 4.3 - Network Model of Internationalisation

| Degree of internationalisation of the market | | | |
|--|------|--------------------------|--------------------------------|
| Degree of internationalisation of the firm | Low | Low The early starter | High The late starter |
| | High | The lonely international | The international among others |

(Source: Johanson and Mattsson, 1985: 63)

The later starter is in an opposite situation being less internationalised than the rest of the market. However, it can benefit from the international experiences of its customers, suppliers and competitors (Johanson and Mattsson, 1995). Hence, this situation might help to describe some of the exceptions noted in the stages model of internationalisation. For small firms to obtain success in an already well-established international market, they will be highly specialised and/or operating in a market that is loosely structured, making additional relationship establishments to support the firm’s internationalisation efforts very difficult (Johanson and Mattsson, 1995). Therefore, the network model of internationalisation contributes in drawing attention to external influences, and interactions in relation to the international and more particularly the effects of networks on the rate of internationalisation. As a result, it is possible to obtain points of reference in determining how other organisations impact or can be impacted by the internationalisation of the SME(s).

4.3.5.7 - Support and Acceptance Received by Network Approach

There are a number of studies that provide support for the network approach to internationalisation. These studies come from Johanson and Vahlne (1992); Blankenburg and Johanson (1992); Coviello and Munro (1995, 1997); Chetty and Holm (2000); Crick and Jones (2000); Jones and Tagg (2001).

Hence, Johanson and Vahlne (1992) defend the view that network relationships play an essential part in international market entry, in contrast to what happens with strategic decisions.

Coviello and McAuley's (1999) work, views the process of internationalisation through networking as being more multilateral than the stages mode. For them, internationalisation is driven by the formation and exploitation of the firm's group of network relationships, more than through any kind of strategy or firm level advantages (Bell, 1995).

According to Coviello and Munros' work (1995, 1997) on the internationalisation process of small software firms, the network relationships facilitate the process of internationalisation. The behaviour of these firms deviates from the accepted "stages" theory of internationalisation. This quick growth appears to have resulted from the firms' participation in international networks. In addition, they posit that firm's entry mode decisions, and choice of markets was also influenced by their network partners. The authors support the point of view of Johanson and Vahlne (1992).

However, Chetty and Holm (2000) found several limitations on the model proposed by Johanson and Mattsson (1988) when they compared their data. According to Chetty and Holm (2000), the criteria used to differentiate each matrix were not distinctive and they overlapped. Secondly, it does not acknowledge the importance of the decision-maker and the firm's characteristics in taking up opportunities that emerge from the networks. Thirdly, the model does not show how firms overcome the problems experienced in internationalisation through their network relationship.

As an explanatory model of internationalisation the network approach has received substantial support and acceptance. Its strength lies in explaining the process rather than the existence of multinational or small international firms.

4.3.5.8 - Limitations and Criticism to Networks Approach to Internationalisation

This type of internationalisation is limited by the acquiring of information and assets from international networks (McDonald, 2003).

In more advanced economies the difficulties in established networks increase because the actors tend to have long established and stable relationships (Kinch, 1992).

The abundant use of international networks to acquire information and assets indicates a low level of risk-seeking. Hence, networks can be viewed as a means to reduce the risks of involvement with international adventures (McDonald, 2003). The model does not acknowledge the importance of the decision makers and the firm's characteristics indispensable to estimate the international opportunities that emerge from the networks (Chetty and Holm, 2000). Finally, if the network of relationships in the host market is rapidly changing (consequence of emerging markets) apparently the opportunities increase, but it is more difficult to identify appropriate partners and attractive investments

In network perspective, internationalisation decision and activities emerge as patterns of behaviour influenced by various networks members. It introduces a "more multilateral element" to internationalisation (Johanson and Vahlne, 1992). The extensive use of international networks in order to acquire information and assets is an important means to reduce the risks in engaging in international activities.

In order to have a deeper understanding about network theory and its contributions to international entrepreneurship, the point of view of different authors as well as their research focus and main findings are summarised in the appendix (A4).

Having discussed the principal contributions of the network theory as well as their limitations to the process of internationalisation of SME(s), the next section will refer to the principal contributions of international entrepreneurship to the process of internationalisation of SME(s)

4.3.6 - International Entrepreneurship

4.3.6.1 – Introduction

This section discusses the problems connected to international entrepreneurship. Firstly, the thematic, and then the principal definitions according to different authors at different times will be discussed. And finally, the connection of the international entrepreneurship to the process of internationalisation of SME(s).

4.3.6.2 – The Emergence of International Entrepreneurship

International entrepreneurship is one of the three most important newly emerging thrusts of international business research (Wright and Ricks, 1994). From a theoretical point of view, this new phenomenon provides research in the field of international business. Given the fact that the majority of theoretical frameworks are connected to international expansion, they have been applied and tested in the context of multinational corporations, the emergence of new ventures as a principal player in the global economy enables us to go further and develop the theoretical frameworks. In some way, the new phenomenon challenges the traditional approach toward international expansion due to the increased globalisation and world competition of the world.

International entrepreneurship has also thrown many interesting and important questions either to scholars or practitioners. By operating as a young organisation with little history of experience, new ventures face the challenge of newness (Stinchcombe, 1965). By expanding overseas and operating in strange environments, they also face the challenge of

foreignness (Hymer, 1976; Johanson and Vahlne, 1977). As a result, new ventures that expand overseas while they are very young face a double-edged sword, the challenges of newness and foreignness.

Although entrepreneurship research is now being conducted by scholars worldwide, there is still very little comparative research and also little focus on entrepreneurship and international trade. The number of submissions received in the forum of international entrepreneurship, makes it clear that interest in international entrepreneurship extends beyond eighty-one authors from different countries, who submitted their works to the forum (McDougall et al., 2000). International entrepreneurship is not an academic discipline. There are not one, but several disciplines that apply and extend their theories in an attempt to understand, and try to explain facts about entrepreneurship overseas (McDougall and Oviatt, 2000).

4.3.6.3 - Definitions of International Entrepreneurship

The meaning of the term international entrepreneurship has evolved over the last decade, during which academic interest in the topic has grown. The meaning of the term “international entrepreneurship” is a fusion of two words, which are “international “and “entrepreneurship”.

At the beginning of the last decade, the definition focused only on the international activities of new ventures, excluding the established firms (McDougall, 1989).

A task force on international issues within the Entrepreneurship Division of the Academy of Management was formed during the early 1990s. The term international entrepreneurship gained more emphasis, principally because the topic of relevant inquiries was perceived to be rapidly evolving at the time (Giamartino, et al., 1993).

The term continues to become more refined, and in the middle of 1990s, Wright and Ricks (1994: 2), stated the following:

It is firm-level business activity that crosses national borders and that such activity focuses on the relation between business and the international environments in which they operate.

Therefore, international business includes the study of business activities overseas and the comparison of domestic activities in several countries. However, these academic works do not include governmental and non-profit organisations, which are also deemed to be international activities.

Another definition of “international entrepreneurship” comes from McDougall and Oviatt, which states the following:

International entrepreneurship is defined as new and innovative activities that have the goal of value creation and growth in business organisations across national borders International entrepreneurship concerns value creation and growth activities that span national borders and cross-border comparisons of domestic business activities.

(McDougall and Oviatt, 1997: 293)

The former definition included both internationalisation issues of entrepreneur and cross-cultural comparisons of entrepreneurship issues under the domain of international entrepreneurship. As we can see, the definition of international entrepreneurship continues to be defined in a very extensive way, including broad cross-cultural elements.

After in depth reflection, and debate over the term (forum), it obtains a new meaning. Hence, according to McDougall et al., (2000), who states international business is a

combination of innovative, proactive, and risk-seeking behaviour that goes overseas and is intended to create value in firms.

As a result of this definition such behaviour is included in addition to research comparing domestic entrepreneurial behaviour in several countries.

Thus, the concept of international entrepreneurship continues to evolve from focussing on new ventures to include corporate entrepreneurship (Birkenshaw, 1997; Zahra, et al., 2000; Zahra and George, 2002). Another definition is a combination of innovative, proactive, and risk-seeking behaviour. It finds its origins in strategic management literature (Covin and Slevin, 1989; Miller, 1993). There are other entrepreneurial dimensions identified by the scholars. According to Lumpkin and Dess (1996) there are several dimensions of “entrepreneurship orientation” which distinguish them from the classification of entrepreneurship. The former authors equated it to a new entry or act to obtain a new market.

More definitions and consensus about the definition of international entrepreneurship remains elusive. The problem is that the domain of entrepreneurship overlaps with the innovation construct, change management and the concept of strategic management. Furthermore, the phenomenon can be studied from different perspectives, such as economics, sociology and anthropology (Low and Macmillan, 1988). In addition, although the term is associated with for-profit, businesses are emerging in non profit organisations and even within government (Hirsch et al., 1997 and Organisation for Economic Cooperation and Development (OECD), 1998). More tentative definitions were discussed at the conference “ Globalisation and Emerging Business” held at McGill University in September 1988 and at the 4th McGill Conference on International Entrepreneurship in September 2001.

At the conference “Globalisation and Entrepreneurship Business”, the participants representing different areas such as economics, marketing, management, international business and other subjects continued to try to define international entrepreneurship. In

global terms they accept Wright and Ricks' (1994) delineation of international part but approached the entrepreneurship part from a different perspective than approached by these authors. Hence, some authors saw entrepreneurship as stretching and leveraging firm resources. A description that is largely coextensive with the term "strategy" (Tieszen, 1998). Others saw the entrepreneur as a broker in an economic system, creating value through intermediation between economic actors. The actors control resources (McNaughton, 1998). There are others who believe scholars needed to extend their lexicon of available terms.

International entrepreneurship makes up part of the entrepreneurship research, which has responsibility for issues associated with formation, transformation and growth of firms (Antonciv and Hisrich, 2000). It shares values with international business research, but its orientation is around issues connected to internationalisation, namely exporting and other entry modes, economic development initiatives, ventures financing, international new ventures, and co-operative alliances (McDougall and Oviatt, 1997).

In our case we adopted the definition of Shame (2000: 21), which embraced the following explanation:

International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services.

4.3.6.4 - International Entrepreneurship and the Process of Internationalisation of SME(s).

International Entrepreneurship, as a new field of enquiry, appears to have drawn from both international business (traditionally focused on larger firms) and from entrepreneurship, which primarily studies the entrepreneurial owner/manager of small firms. Obviously, there are not any conceptual problems in the fusion of international business and

entrepreneurship. In theory the larger firms act as entrepreneurs while smaller entrepreneurial firms can take advantage of the immense opportunities of international markets previously exploited by larger firms (Etemad and Wright, 2003).

As mentioned before (section 4.3.2.3) the process of internationalisation followed by the stage-theory explanation has been questioned. International entrepreneurship challenges the traditional approach toward international expansion. The inconsistency comes from the stage theory and the empirical reality of a growing number of entrepreneurial-oriented firms, which usually adopt a global focus from their formation (Etemad and Wright, 2003), as neither of these new ventures have a period of gradual internationalisation and also tend to be small facing volatile markets with little experience and resources. However, according to McDougall, (1989); Oviatt and McDougall, (1994); Haahti et al., (1998); Nielsen et al., (1999), international entrepreneurship has tended to relate to the orthodox literature on internationalisation.

4.3.7 - Conclusion about the Principal Theories

It has been identified that there is not a single, universally accepted definition of the term internationalisation (Young, 1987; Welch and Luostarinen, 1988; Whitelock and Munday, 1993,) with a vast number of interpretations being found in the literature. One view on internationalisation considers it to be a pattern of investment in foreign markets. It is explained by rational economic analysis of internationalisation, ownership, and location advantages (Williamson, 1975; Dunning, 1988).

A second view argues that internationalisation is an ongoing process of evolution (Melin, 1992). The international involvement of firms results from their increased knowledge and market commitment (Johanson/Vahlne, 1977).

A third view continues to be process-based, in spite of the fact that the process does not always involve a “smooth, immutable path of development” and it is possible to include both “outward” and “inward” patterns of international expansion (Welch and Luostarinen, 1988; 1993)

A fourth view is based on the Uppsala model. According to this model, internationalisation activities happen incrementally and are influenced by continuous market knowledge and commitment. Internationalisation is referred to in terms of market selection and the mechanisms used for market entry.

Next, network perspective introduces a “more multilateral element” to internationalisation (Johanson and Vahlne, 1992). It has evolved from Johansson and Vahlen’s initial work, and reflects their ongoing research exploring different ways to enter foreign markets.

Finally, international entrepreneurship challenges the traditional theories. According to them, there are contradictions between the classical theories and the reality. Every day a growing number of small firms become international from their formation (Etemad and Wright, 2003).

4.3.8 – Summary

For a long time internationalisation literature viewed internationalisation as domain activities of large and well established MNE(s). However, even though they are extremely important for the analysis of international trade, they are only partially able to explain the export behaviour of individual business units (Wells, 1968; Bilkey, 1978; Cannon, 1980). Therefore, a more microscopic approach was developed based on firm-specific aspects of behaviour related to trade (Albaum et al., 1994).

In practical terms, SME(s) internationalisation behaviour does not follow any specific model of internationalisation. They follow different operations or activities simultaneously, independently of the theoretical models suggested by different authors. The principal contributions come from eclectic paradigm, Uppsala school/psychic distance, network

theory and finally international entrepreneurship. A single and universally accepted definition of the term internationalisation remains elusive (Young, 1987; Welch and Luostarinen, 1988; Whitelock and Munday, 1993). Whilst the stages model is based on organisational growth, behaviour and learning theory with the aim of capturing internationalisation, the network view of internationalisation focuses on non-hierarchical systems and criticises the behavioural approach. This theory emphasises social exchange and resource dependency and focuses on the firm's behaviour in the context of an interpersonal relationship or a network of inter-organisation. Finally, the last view comes from the internationalisation entrepreneurship, which challenges in a certain way the traditional approach toward international expansion. Its importance has been increasing due to increased globalisation. In spite of entrepreneurship research being conducted by schools around the world, there are very few comparative researchers. Over the last ten years the definition of international entrepreneurship has evolved, and simultaneously academic interest in it has grown.

Thus, several trajectories or pathways to internationalisation have been evidenced. Likewise, their decisions are not always based on the rules or logic assumed by the models, as we have seen over the present chapter. Subsequently, any approach to classify the SME(s) according to behaviour is extremely difficult.

The next section is about the role of the firms and decision-makers in the process of internationalisation of SME(s).

4.3.9 -The Role of the Firms and Decision-Makers in the Process of Internationalisation of SME(s)

4.3.9.1 - Determinants of the Process of Internationalisation of SME(s)

According to a study carried out by Kundu and Katz (2003) during the early stages of firm development, the owner characteristics are more important than firm characteristics, in the export performance of young, start-up global software firms. However, as soon as the firms become mature the focal point of assistance changes from individual owner/entrepreneur characteristics to the enterprise itself.

Another study, by Ibeth (2001) identifies the following key factors: decision-maker and company characteristics and competencies connected with successful export entrepreneurial firms. He concludes that SMEs should focus on developing the credentials of the entrepreneurs - including his/her networking capabilities - rather than concentrating on the firm's past export involvement.

Additionally, Fischer and Reuber (2003) emphasise the importance of owner specific characteristics to SME internationalisation in their study, in order to propose a new basis for delivering export assistance services. Their approach focused on the experience of the SME owner, namely previous experience in export-related work, in opposition to the traditional approach that focused on the export behaviour of the firm.

Further work, by Riddle and Gillespie (2003) focused on the access to information, principally regarding the export process, foreign markets, and reliable suppliers. The former author observed how the owners/operators of new ventures in the Turkish clothing-export industry used their formal and informal social network to get the necessary information to export successfully. The conclusion of the study indicated that informal social ties, principally friends and family connections, were key sources of information for new-venture firm owners.

Finally, both stage-model of internationalisation (Wiedersheim-Paul et al., 1978; Cavusgil, 1980; Reid, 1981) and other studies that predict the degree of firm internationalisation (Cavusgil and Nevin, 1981; Johanson and Vahlne, 1990; Erramilli, 1991; McDougall et al., 1994; Calof and Beamish, 1994; Liang, 1995; Bloodgood et al., 1996; McDougall and Oviatt, 1996; Reuber and Fischer, 1997) Eriksson et al., 1997; Kutschker and Bauurle, 1997; Crick and Jones, 2000; Knight, 2000) refer to the characteristics of SME owners being of fundamental importance to the internationalisation of the firms and they must be considered.

International experience of the owners is critical in determining both what kind of support is necessary, and how service suppliers should design their communication strategies (Fischer and Reuber, 2003).

Entrepreneurship characteristics of the manager/owner firm seem to be critical in the early process of SME internationalisation. However, when the enterprise grows in size, knowledge, information and expertise the characteristics of the institution are fundamental to export behaviour and success institution. In spite of the characteristics top management and decision-makers remain very important (Etemad and Wright, 2003). Having introduced the pertinent theoretical issues connected with the determinants of the process of internationalisation, the next section will deal with the theoretical issues connected with the most relevant characteristics of the firms; firstly the firms characteristics and then the decision-makers' characteristics.

4.4 – Firms' Characteristics

4.4.1 – Introduction

This section will review the literature on export propensity as well as introducing the empirical studies that support it, and proposed respective research hypothesis. The principal firm characteristics that will be the subject of study in the present work are:

firm's size; product characteristics and competitive advantages, and finally technological capacity and intensiveness.

4.4.2 - Firm Size And Export Behaviour

Firm size is one of the most important variables in exporting, given that a great deal of small firms perceived their lack of size as a handicap in exporting. There are empirical findings that show a strong support for variables yet do not show how these factors influence export performance (Miesenbock, 1988). On the other hand, Czinkota and Johnston (1983) proposed that firm size is definitely related to export percentage at a certain level of firm size, but beyond that level, size and export outcomes are not correlated.

Bilkey (1978) observed mixed results in the relationship between a firm's size and its' percentage of total sales from exports. There appears to be no consensus on the relationship between export marketing activity, the internationalisation process and the size of the firm.

There are authors who argue that there is no meaningful relationship between size and export behaviour (Bilkey and Tesar, 1977; Abdel-Malek, 1978; Czinkota and Johnston, 1983; Cavusgil, 1984; and Reid, 1982). According to Reid (1982) few researchers have provided justification as to why size is important in export behaviour.

Another group of researchers conclude that there is no relationship between export performance and size (Child, 1974; Hirsch, 1970; McDougall and Stening, 1975; Bilkey and Tesar, 1977; McGuinness and Little (1981), Czinkota and Johnson (1983) and Diamantopoulos and Inglis (1988)), whilst Cooper and Kleinschmidt (1985) established a negative relationship between size and export intensity. However, there are a number of significant studies which found a positive relationship between the firm's size and its propensity to export (Czinkota and Johnston, 1983; Perkett, 1963; Tookey (1964); Hunt,

Froggatt and Hovell (1967); Hirsch and Adar (1974); Reid, (1982) Burton and Schlegelmilch (1987); and Hunt et al. (1967). Hence, in spite of all the controversy between firm size and propensity to export, it is possible to propose that a relationship exists between firm size and propensity to export:

H 1: Larger firms are more likely to have good international performance.

4.4.3 - Product

A product can be defined as a bundle of attributes that's satisfies a customer's demands.

(Jain, 1990: 486)

Albaum et al. (1989) affirm that products include everything that the buyer or user perceives as being part of the product, such as:

1. The physical product core
2. The product package
3. Auxiliary service

It is not easy to define precisely what a product is. It can be offered in the form of a tangible item, a service, or an idea. Furthermore, the same product can have a different significance for people in different parts of the world. In addition, customers could buy the product not only in the physical sense but to obtain satisfaction, which can come from a variety of ways (Jain, 1993).

4.4.3.1 - Competitive Advantages

The competitive advantages were considered to be quality products, quality control, product adaptation, unique product and product strength.

Product quality is undoubtedly an important factor in entering and remaining in international markets. But, this does not necessarily have to be high; however, it must be consistent (da Rocha et al., 1990). According to Daniels and Robles (1982) who conducted a study in Peru, quality was a key element in successful exporting. The same results were obtained in Norway, where not only the product quality but also the understanding of foreign customer's requirement, export middlemen network, possession of patents and the capability to develop new product were considered fundamental. Another work by Kaynak and Erol (1989) revealed that the major strengths of Turkish manufacturing and trade house export firms are included in the areas of product quality, price levels, new product, development capability and export middlemen network. Finally, in a Korean export setting (Moon and Lee's, 1990) the product uniqueness and price advantages were positively related to export stage development. In conclusion, not only the above studies, but also studies by Malekzadeh and Nahavandi, (1985); Cavusgil and Naor (1987), Keng and Yiuan (1989) concluded that the decision-makers in exporting and non-exporting firms and the quality of product were undoubtedly an important factor in entering international markets. Nevertheless, to have products with high quality, it is of fundamental importance to use the firm's structure for quality control as a proxy for product quality.

Quality Control helps ensure product uniformity, which is of great importance for the continuity of exporting. Products that do not meet quality specifications result in a total loss for one of the export parties. The aggressive exporters were more likely to have a formal quality control (Q.C.). This was acknowledged by Burton and Schlegelmich (1987; and Christensen, et al., (1987), who concluded that successful exporters had a stronger

quality control function, better organised departments and better qualified managers than in firms that had abandoned their export programmes.

Nonetheless, besides the quality of the product, other factors must be taken into consideration, in spite of the fact that they were not always consistent. An example can be found with Hirsch (1970); and McGuinness (1978) who emphasised the importance of the **“unique” product**.

Unique Product - Tookey (1964), referred to the uniqueness of a product that determines substantial difference from the competing products giving the company a competitive advantage.

There are studies that indicate that products with unique characteristics or product protection, are more common amongst exporting firms than non exporting firms (Snavelly et al. 1964; Daniels and Goyburo 1976; Cavusgil et al. 1979; Cavusgil and Nevin, 1981b and Garnier, 1982).

Product Strength in terms of attribute uniqueness and quality are strongly related to export success (Burton and Schlegelmilch, 1987; Cavusgil and Nevin, 1981; Madsen, 1989; McGuinness and Little, 1981; and Michell, 1979). However, the unique attributes of the product can become vulnerable to product imitations or substitutes from other competitors. There, the protection that patents offer is extremely advantageous to the firm and can serve as a means of ensuring the future profit-potential and cost-potential of the firm (Dichtl et al, 1984b; Madsen, 1994). In addition to the quality of the product and unique characteristics, there are authors who found a positive link between adapting products to the local market and performance (Cavusgil and Zou 1994; Kirpalani and MacIntosh 1980). Others, however, found that a standard product is more successful (Christensen et al. 1987).

4.4.3.2 - Global Product Strategies

The opportunities and challenges for international marketers have never been so great and diverse as they are now. If there are consumers emerging from markets with less purchasing power (Eastern Europe, Asian countries, Indian and Latin America) and others with little purchasing power, there are others (mature markets of the industrialised world) where the opportunities and challenges to make business abound. However, not all the products can be sold in foreign countries as they were initially produced. There are some that need to be modified and adapted to the requirements of new potential consumers, in different parts of the world. Therefore, according to Keegan (1969) the firms can follow three global strategies to penetrate foreign markets:

There are firms that only adapt some products or communications policies used by them in their own market. Others extend their home-grown products/strategies to foreign markets. Last, others prefer to adapt their strategy to the local market place.

These three strategies can go further and result in five strategic options (Kotabe and Helsen, 1998: 304). They are:

1. Product and communication extension.
2. Product extension – communication adaptation.
3. Product adaptation - communication extension.
4. Product and communication adaptation.
5. Product invention.

It is therefore possible to identify that quality products, quality control, unique products, products strengths and global product strategies are associated with a propensity to export. Therefore, it is proposed that firms with these qualities are positively related to export. Thus, this provides the basis to formulate the following statement:

- H. 2' – Firms with competitive advantages are more likely to have good international performance.

4.4.4 – Technology

Product technology- intensity is another critical variable in successful exporting.

Rosenberg (1982) tried to stress the difference between science and technology. He pointed out that the technology can not be seen as a mere application of the science of productive activities. Technological innovation has introduced wide-ranging change into both mature and developing economies. These innovations happen particularly in the area of micro-electronics application, which influence dramatically indigenous and traditional industries. The most common examples can be found in the manufacture of Swiss watches, printing, textiles and banking among others. In addition, their influence is also responsible for rapid industrialisation in far eastern countries (e.g. mass produced consumer electronics).

Technology enters into the equation in three fundamental ways, according to the suggestion of Braun and Senker (1982).

- 1 Technology is a major determinant of skill required in the operation of the economy.
- 2 Technology is an important factor in establishing the competitive position of firms in the international market, where it is perceived as indicative of the relative quality of goods and service.

- 3 Technology also plays an important role in determining factor productivity and thereby affects the price competitive position of firms and the overall productivity of the economy.

Small high technology firms usually follow highly individual routes and methods of internationalisation associated with their core business activities. Small firms that are technologically innovative are frequently faced with rapid business start-up. They need to launch their products, services, and intellectual property into international markets without the gradual domestic development beforehand (Bell 1995; Oviatt and McDougall, 1994). High-technology firms have a higher propensity to become “born global” in nations with small domestic markets than firms in nations with large domestic markets. Research on smaller knowledge-intensive firms has identified some firms that have targeted lead markets overseas, ignoring the home market altogether, or have entered domestic and international markets concurrently (Bell, 1995; Coviello and Munro, 1997; Madsen and Servais, 1997). Hence, technology intensiveness is consistently found to be related to propensity to export (Cavusgil and Nevin, 1980; McGuinness and Little, 1981; Cavusgil, 1984 a; Cooper and Kleinschmidt, 1985; Daniels and Robles, 1982; Joynt, 1982; Aab and Slater, 1989). However, other authors conclude that there is only a small relationship between technology and export performance. In developed countries, technology could be an important source of competitive advantage, but in less developed countries, the low cost of labour may be more significant.

Very few studies have investigated the type of concerns these firms experience when dealing with the necessity to expand internationally. Studies of Australian export firms show that they have been able to successfully compete with bigger ones because they were global. According to Reid (1986), in a study carried out in 89 Canadian firms, it was concluded that there was very little relationship between technology and export performance. The same conclusion was obtained by (Bell, 1995) who declared that export

success through technology depended on good management and on which markets the firm decided to enter. It seems that the evidence on the link between technology and export performance is mixed.

Due to the mixed evidence of links between technology and export performance, we are in a position to advance the following hypothesis:

H 3 – Firms with technology intensiveness are more likely to have good international performance.

Having dealt with the most pertinent characteristics of the firms as well as the most relevant empirical studies that support the theory and respective hypothesis, the decision-makers' characteristics will now be discussed. Firstly, the objective characteristics, followed then by the subjective decision-makers' characteristics.

4.5 - Decision-Makers - Objective Characteristics

4.5.1 – Introduction

In this section, the literature on export propensity is reviewed as well as the empirical studies that support it, and proposed respective research hypothesis. The characteristics considered more relevant and which will be looked at in this study are addressed: decision-makers' age, level of education, proficiency in foreign languages and international experience.

4.5.2 – Age

The decision-maker's age is expected to influence the decision-making perspectives and choices. Younger managers tend to be not only more risk oriented than older managers but also, they are associated more with policies of corporate growth (Child, 1974; Hart &

Mellons, 1970). The youngest tend to be more internationally minded (Pinney, 1970) and to respond more positively to an export stimulus than those who are older. Moreover, Ursic and Czinkota (1989) and Dichtl et al (1990) came to the conclusion that decision-makers in exporting firms were younger than non-exporters. According to Jaffe et al., (1988) and Moon and Lee (1990) younger managers assumed a more active role in export expansion. According to Leonidou et al. (1988) their influence is critical in the early periods of international market development, rather than in more advanced stages. Decision-makers are of the opinion that exporting requires a considerable amount of energy which they do not want to expend when they are older (Caughey and Chetty, 1994). Furthermore, the youngest are more interested in their earnings and sales. However, for older executives, the security of their careers and the financial aspects of their earnings become more and more important. Everything that involves larger risks must be avoided (Carlson and Karlsson, 1970) in spite of the fact that it is detrimental to the strategic direction of the firm. On the other hand, they begin to have less confidence in their decisions and change their point of view if they become aware of a negative consequence (Taylor, 1975). Therefore, a hypothesis can be advanced:

H 4 – Firms with youngest managers are more likely to have good international performance.

4.5.3 – Type And Level Of Education

There appears to be a consensus in literature that certain features in the background and education of senior managers are crucial determinants of export performance (Langston and Teas, 1976; Reid, 1981; Turnbull and Welham, 1985). Cognitive abilities and skills are dependent on the level of education an individual has. The higher the level of education, the better the cognitive ability and skills (Reid, 1981). Formal education is widely assumed

to have a positive impact on economic performance. Also, at firm level, there are some indicators that educational qualifications form an important part of the overall quality of management (Maisonrouge 1982). It was found to be a significant variable affecting and differentiating the responses of exporters and non-exporters to unsolicited orders from foreign customers (Simpson and Kuyawa, 1974). In addition, Schlegelmilch (1987) found a relationship between education and export growth and profitability. In an exploratory study of elements in major decision-making amongst a small sample of Canadian firms doing business abroad, Mayer and Flynn (1973), found an overrepresentation of university education among top managers. It was concluded that a higher level of formal education leads to a more positive attitude to exporting (Cunningham and Spigel, 1971; Bilkey and Tesar, 1977; Khan, 1975).

However, in the portfolio of cross-cultural studies reported by Dichtl et al (1990), the results appear to be inconsistent. Evidence from other researchers found no significant differences between exporters and non-exporters (Garnier, 1974; Brooks and Rosson, 1982). Garnier's (1974) study of Quebec firms found that in the characteristics of the entrepreneur, for example, education had statistically no significant influence. Therefore, caution should be exercised in interpreting these findings as it is not clear whether education and training lead to more export involvement or whether higher levels of involvement demand well trained decision-makers. Nevertheless, Burton and Schlegelmilch (1987) believe that the two factors are interactive. The number of authors who regard education of managers as having a positive impact on export performance appears to be strong enough to advance a hypothesis stating that:

H 5 – Firms with managers who have high levels of education are more likely to have good international performance.

4.5.4. - Ability To Speak Foreign Languages

Foreign language competence can contribute to international business success in a number of ways (Turnbull and Welham, 1985). It not only facilitates social contact and allows a relationship of trust to develop, but also improves communication to and from the market. In addition to this, it assists in understanding the ethos and business practices of a market. Individual language skills are believed by the majority of authors (Luostarinen, 1980; Robock and Simmonds, 1983; and Root, 1982) to be central to effective international marketing. Moreover, Hunt (1969); Weinrauch et al., (1975); Bilkey, (1978); Reid, (1981); Turnbull and Cunningham, (1981) and Turnbull and Welham (1985) also emphasised the importance of language ability for export achievement.

An important aspect of communication skills was highlighted in the Barclays Bank Report (Robock and Simmonds, 1983), which reported that the German Chamber of Commerce in London estimated that 60 per cent of the work of their legal department was concerned with sorting out misunderstandings created by an inadequate comprehension of contracts and agreements written in foreign languages.

Clearly, the ability to understand and communicate with foreign customers will have a fundamental impact on potential market place performance. Fluency in the customer's language leads to an enhanced understanding and definition of needs and a higher probability that customers will recognise the supplier's abilities (i.e. improved transfer ability) leading to a lowering of psycho-social barriers to interaction. However, not all languages have the same importance and English prevails as the language of international business.

Daniels and Guyburo (1977) concluded from their Peruvian study that only the knowledge of English is meaningful, for English is used in international business. Similarly, Brooks and Rosson (1982) concluded that foreign language capability on the part of decision makers is vital in exporting. Also, Eriksson et al. (1977) show that Swedish managers feel

that a deficiency in knowledge of language is a problem in the internationalisation of firms. Another study carried out by Ursic and Czinkota (1989) concluded that the number of languages spoken was positively related to a firms' growth. An identical conclusion was reached by Schlegelmich and Ross (1982) who defend this point of view in terms of growth and profitability. Many more examples could be given supporting a positive relationship between knowledge of foreign language and the success of exporting. Amongst them are the studies of Enderwick and Akoorie (1994), Schlegelmilch and Crook (1988), Swift (1990) and Walters (1990). Specifically and according to Schlegelmilch (1986), Roux (1987), and Holzmuller and Kasper (1990), decision makers with knowledge of foreign languages are more likely to initiate exporting. However, linguistic abilities and their impact on export performance have generated considerable discussion (Liston and Reeves 1985; BOTB 1979). A report by the Royal Society of Arts (1979) resulted in mixed findings as to the importance of language as an important factor behind performance in exporting. This discussion supports the point of view that there is a positive relationship between linguistic abilities and export performance. Hence, it is possible to hypothesise that:

H 6 – Firms with managers who have higher ability to speak foreign languages are more likely to have good international performance.

4.6 - Decision-Makers – Subjective Characteristics.

4.6.1 – Introduction

In the present section, literature on export propensity will be reviewed as well as the empirical studies that support it, and a proposed respective research hypothesis. The most relevant subjective characteristics considered by us in the present work are: risk perceptions, profitability, costs and finally commitment.

4.6.2 – Risk Perception

“Risk” “and uncertainties” are an integral part of most human behaviour, being particularly evident in economic and financial affairs. In general, “risk” denotes the chances of losing. In economics it is used to denote:

- A situation characterised (either objectively or subjectively) by incomplete predictability of alternative events, or
- A situation characterised by knowledge of the parameters of a probability distribution of a set of alternative events, but in which no event carries a probability of 1.

(A dictionary of Social Science p. 605)

The risk perception and the attitude toward risk in export activities have been found to be important factors in explaining export behaviour Cavusgil and Nevin (1981), Roux (1987), Roy and Simpson (1981), Simpson and Kuyawa (1974). Some managers of small to medium-sized firms appear to have developed a fear of international market activities. They tend to only see the risks, such as information gaps, unfamiliar conditions in markets, complicated domestic and foreign trade regulations, the absence of trained middle managers for exporting, and a lack of financial resources (Cavusgil, 1980; Czinkota, 1982), rather than the opportunities that the international market can present. Decision-makers in small firms often perceive higher risk in international activities, due to the lack of appropriate information, or because they ignore some important facts in the decision-making process. Furthermore, when an enterprise has been damaged by previous risks taken, then the decision-maker is reluctant to take any kind of risk. In addition, according

to Hollense (2001) risk taking can occur in situations when an enterprise is under threat, or where a major competitor is undermining the activities of the enterprise.

According to Brooks and Rosson, (1982); Cavusgil et al, (1979); Cavusgil and Naor, (1987); Cavusgil and Nevin, (1981); Roy and Simpson, (1981); Schlegelmilch, (1986b); Simpson and Kujawa, (1974); Tesar and Tarleton, (1982); and Wood, (1982) the exporters were found to perceive less export risk than non-exporters and maintained a more positive attitude to risk-taking. The passive pre-exporter believes that if he perceives further stimuli, this could enable him to act positively (Olson et al. 1978,). The main reason for being passive was that exporting was perceived to be risky and most importantly there was a wish to remain small in size. According to the Office of Management and Budget (1975) non-exporters generally perceive that exporting involves a high degree of risk, and that exporting is best left to very large international enterprises. From a survey of managers in 120 manufacturing firms, Simpson and Kujawa (1974) concluded that firms which developed into exporters were less fearful of the risks involved in doing so than firms which did not become exporters. Besides, decision-makers perceiving risk in the export market as being lower versus risk in the domestic market, profits in the export market as being higher versus profits in the domestic market, and costs in the export market as being lower versus costs in the domestic markets are more likely to become exporters. Thus, from the above research conclusions, it is possible to state that:

H 7 – Firms with managers who have higher perceptions about the propensity to take risks are more likely to have good international performance.

4.6.3 - Costs

'Cost' in economics is that which is sacrificed in order to obtain anything. It implies the destruction or surrender of value or the performance of activity which is irksome at the margin, if not in and of itself.

(Viner, 'cost', in E.R.A. Seligman (Ed). Encyclopaedia of the Social Science, New York: The Macmillan Co., 1931, vol.4, pp 446 – 7)

It can be measured in different ways, such as money or economic goods, pain, or disutility. Where measured in money, it is called money cost, if it is not measured in money it could be called pain, disutility, and so on. For our purposes, we are only interested in money costs. According to standard accounting practice, costs are divided into two groups. Fixed costs and variable costs. Total costs are the summation of both types of costs. In determining the price of a product you have the fixed cost plus variable costs plus profits and tax. Variable costs are those that vary in the aggregate as output varies, and fixed costs are those that remain constant with change in output. However, in international trade there are more additional costs, such as the cost of shipping products over long distances and all modes of transportation (e.g. rail, truck, air and ocean). Furthermore, when products are transported across national borders, tariffs have to be paid. These tariffs sometimes have local taxes imposed on imported products. The most common is the value added tax (VAT) used by countries in the European Union. Furthermore, there are a variety of administrative costs directly associated with exporting products such as acquiring import and export licenses, and physical arrangements for getting the product from the port of entry to the buyer's location. In addition, the effect of inflation on costs must be taken into account (Cateora, 1996).

Thus, we are in position to state that:

H 8 – Firms with managers who have higher perceptions about the costs, are more likely to have good international performance.

4.6.4 – Profitability

Profits are the income (positive or negative) that arise because the economy is dynamic – i.e. because there is change, foresight is imperfect, and there are lags and friction in adaptation to change”

(A dictionary of Social Science p. 542)

However, over the years the word "profits" had different interpretations put on it according to different theories and authors. Some of the most relevant theories are the theory of the firm, functional or non functional interpretation, classic economics, Marxian's, and so on. To a large degree an appropriate measure of favourableness for firms consists of profits. Since profits are largely the compensation for the risk incurred by the firm, degrees of profitability should vary with the amount of risk taken, in order to produce similar levels of profit. In the context of internationalisation the activities tend to involve greater distances, more complexity and new factors (currency exchange rates). All of which lead to a perception of greater uncertainty and consequently greater risk, which in turn requires compensation through higher degrees of profitability. In order for a firm to be enticed into international operations, they must produce a degree of profitability higher than on domestic operations.

According to Reith, (1976), managers of non-exporting firms often perceive exporting as risky, unprofitable and unmanageable. Empirical findings by Roy and Simpson (1981) show a significant difference between exporters and non-exporters, in terms of their perception of profit in export markets. The same point of view was defended by (CEDs) which asserted that export cost and profit perception show a considerable statistical difference between the exporting and non-exporting. There is research that has indicated that it is often the misperception of high risks and high costs that are responsible for exporting (Reith, 1976). Another point of view which is a little more optimistic came from Tookey (1964), and Sinai (1970) who affirmed managers' subjective estimates were that exporting contributed little to profit firms. However, a study of 120 Tennessee manufacturing firms declared that the management regarded exporting as a means to obtain higher profits (Simpson, 1973). Moreover, this point of view that decision-makers in exporting firms perceived higher potential profits from exporting than those in non-exporting firms was defended by Simpson and Kujawa, (1974), Roy and Simpson (1980), Witley (1980), Cavusgil (1984b), and Burton and Schlegelmilch (1987). According to classical economic theory the firm's probability of exporting tends to vary directly with the profits its management expects from exporting. This belief was defended by studies carried out by Simpson, (1973), Tesar, (1975), and Bilkey and Tesar, (1975). However, other studies contradict the point of view of classic theory. Examples of these are the study of 497 Danish, Dutch and Israeli manufacturing firms. Further, similar conclusions were taken from a study of 21 Tennessee firms (Granada and Dicer, 1973). Thus, we are able to state that:

H 9 – Firms with managers who have higher perceptions of the profitability are more likely to have good international performance.

4.6.5 – Commitment

The word commitment is often used in everyday language to denote the “sense of being bound emotionally or intellectually to some course of action” (American Heritage Dictionary, 1979), which may include a person’s relationship with another individual, group, or organisation.

Organisational commitment to exporting is defined as:

a general willingness by management to devote adequate financial and/or managerial and human resources to export related activities.

(Aaby and Slater, 1989: 21).

Involvement in exporting requires that the firm devote financial and human resources, as well as management attention, to carrying out tasks that are new to the firm and for building the infrastructure of export marketing. Commitment level has been heavily studied as a predictor of export initiation (Cavusgil 1984a; Bello and Barksdale 1986; Sullivan and Banerschmidt 1988), but there are relatively few studies that use commitment level as a predictor for export performance. Wiedershein-Paul et al., (1978) first suggested the positive relationship between the commitment level to export and export performance. Cavusgil and Nevin (1980) proposed a conceptual model in which commitment to export is casually related to export performance and this relationship was confirmed in the empirical study. However, many studies have shown that export sales are regarded by many companies as a way of utilising surplus capacity. This lack of commitment leads to such companies taking a half-hearted attitude to export sales and they have failed to adapt to foreign market requirements. In an analysis of 15 export case studies compiled by BOTB (1979), it is conclude that too many British companies are treating their exporting practices as a marginal activity, rather than integrating them fully into their operations. A

major study by Industrial Market Research Ltd (1978) concluded that very often inadequate attention is paid to the export marketing activity in many U.K. companies.

Almost 40% of the companies stated that the executive with prime responsibility for export sales was a general sales manager or sales director, whereas only a little over 20% had an export manager or director. In more than 50% of the cases in the J.M.L. study export sales staff accounted for only 10% of total sales staff or less. This is exacerbated by the fact that in only one company out of five were export sales staff working full time on exports.

There are other examples that indicate the inadequacy of exporting resources relating to the number of export sales staff and the time spent by them on the export activity.

Despite this apparent contradiction, it is possible to propose the following:

H 10 – Firms with managers who have higher levels of commitment, are more likely to have good international performance.

Having finished an extensive review of the pertinent conceptual literature, as well as empirical research findings and the hypotheses connected with them, there now follows an introduction of the model of the process to exporting constructed by the author.

4.7 - A Model of the Process to Exporting

4.7.1 – Introduction

This research process attempts to identify the more relevant factors in terms of propensity to export by presenting a model of the process of exporting. This occurs in the United Kingdom and Portugal simultaneously. In addition, in revealing which are the most

relevant factors, it also allows us to compare and build a picture of the similarities and differences of characteristics in both countries. The theoretical model conceptualised in this study is based on the literature review and empirical studies, which suggest various aspects that can be responsible for the internationalisation of the firms, and therefore for their propensity to export.

4.7.2 - Desired Characteristics of a Model of Export Performance

A meaningful model of export performance would have several essential characteristics, as follows:

1 – The variables should be clearly defined. Only clearly defined variables allow models to be developed which precisely integrate conceptually similar streams of research and theories.

2 – The model includes firms' characteristics and decision-makers' characteristics. Firms' characteristics' variables appear to be essential. Firm-size, competitive advantages and technology orientation, for example, are fundamental for a firm to engage in an international activity and to have success in export performance.

Furthermore, individual decision-makers' characteristics also have a strong and direct impact on the export performance of the firms. The individual manager/entrepreneur or decision-maker has often been portrayed as the key component in theories and models of export performance.

3 – By definition, all conceptual models must depict direct or main effects among the component variables. Hence, this model includes direct and moderate effects.

Furthermore, the entrepreneurship models must go beyond the depiction of direct effects and incorporate contingency or moderating effects (Covin and Slevin, 1991).

This framework divides the independent variables into two broad groups:

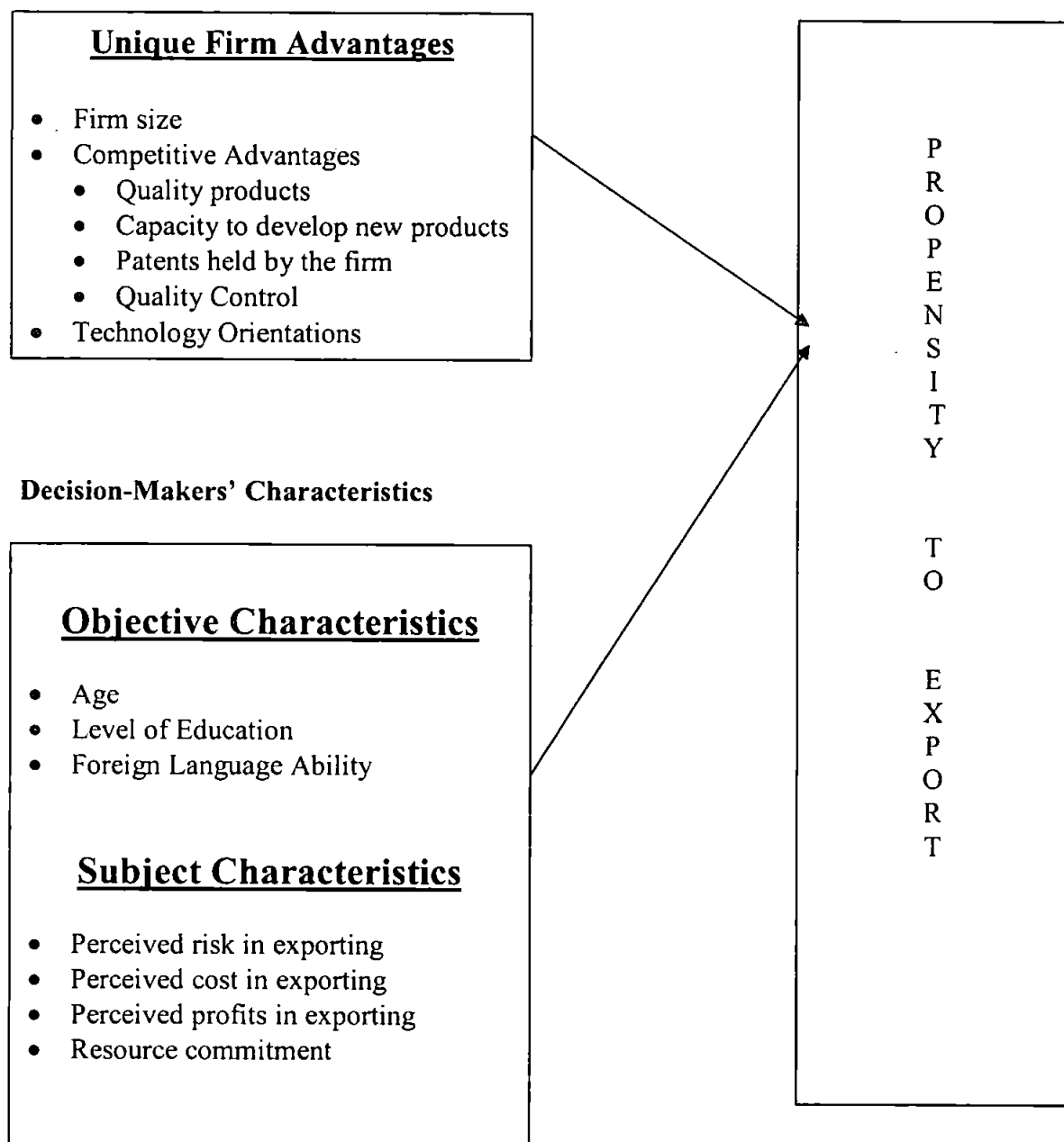
1 - Those associated with firms' characteristics and those associated with decision-makers' characteristics. In the "firm" group (firms' characteristics) the principal focus was on company-size; competitive advantages and technology orientation.

2 - The decision-makers' characteristics are sub-divided into two groups. The first connected with objective characteristics and the second connected with subjective characteristics of the decision-maker. Among the objective characteristics, age, education, foreign language ability, and international experience were all considered. Perceived attractiveness in exporting, risk, cost and profits as well as resources commitment were the subjective characteristics for us to consider.

The model has only one independent variable: export performance. It can be measured in different ways according to the literature review. The two most commonly used dimensions are the rate of growth in export sales and percentage of total sales accounted for by exports. In our specific case we considered the percentage of total sales accounted for by export, because the rate of growth in export sales is more subjective. For a more detailed analysis see section (Section 5.6.5.3)

4.7.3 - The Proposed Model of Export Performance

Fig . 4.4 - Firm's Characteristics



Source: Developed by the author

For each variable group, several conceptual variables were investigated. Each one of the conceptual variables chosen has a strong foundation not only in the general export marketing literature but also in previous empirical export performance studies.

As we can see through the model, each of the independent variables that make up part of the two variable groups, have a direct relation to an independent variable, namely export performance.

4.8 – Summary

The aim of this chapter was to show a detailed conceptualisation of the factors hypothesised to be associated with propensity to export. Thus, the chapter began with the discussion of the principal determinants of the process of internationalisation of SME(s). Furthermore, an extensive review was conducted of the pertinent conceptual literature and empirical research findings.

Next, the conceptual model was introduced illustrating the proposed relationships between the factors and their relationship to propensity to export.

Finally, empirically the study attempted to show whether there is any significant relationship between the factors and the propensity to export. The results will be presented in chapter seven.

The next chapter presents the decisions made with regard to the choice of methodology followed in the present work.

CHAPTER FIVE - Research Methodology

5.1 – Introduction

The process of designing a research study is not easy. It involves many inter-related decisions in order to find the best research approach, and decide how the information will be collected. Therefore, in order to satisfy this demand we begin this chapter by discussing the theoretical and methodological principles, in order to find the methodology most appropriate to our work.

Secondly, the different types of research strategies are discussed theoretically in order to find the one best suited to the aims and characteristics of our research.

Thirdly, always with the same aim in mind we discuss the different kinds of theoretical research designs.

The next step is to discuss theoretically how to obtain our primary data. Consideration will be given to the advantages and disadvantages of using personal interviews, telephone interviews and getting the information by questionnaires sent by post.

Then, the theory of the questionnaire development process will be discussed. This process is developed in eight steps.

Finally, the methodology followed in the regression modelling is introduced along with the respective steps followed to arrive at the model.

5.2 - Methodology: Influential Factors

In this section the theory of factors influencing the choice of the methodology are discussed with a review of the principal branches of research philosophy.

5.2.1 – Positivism and Phenomenology.

A scientific methodology is a system of explicit rules and procedures upon which research is based and against which claims – exigencies / redundancies -for knowledge are evaluated.

(Frankfort-Nachmias and Nachmias, 1996: 13).

The choice of a suitable methodology is directed by theoretical and methodological principles. According to Bergen et al, (1989: 152) the choice of a methodology is influenced by:

- The appropriateness of the method for theoretical goals;
- The adequacy of the method regarding the research object;
- The realisation of methodological rules which determine its structure, possibilities and limitations;
- The examination of the pre-requisites and conditions which must be considered for the performance of mathematical-statistical tests.

The philosophical, ontological and epistemological assumptions that ground a study should be recognised and made clear. Also, the influence of the researcher as part of the research process, especially in a social sciences or humanities context, and the researcher's individual characteristics can have enormous implications for the entire process. In this study all these considerations were taken into account.

5.2.2 – Research Philosophy

The aim of this research project was to take into account two major research philosophies, namely positivism and phenomenology, which represent a longstanding debate in social science philosophies.

5.2.3 – Positivism

Positivism marks the end of the theory of knowledge (Habermas, 1970) and arose from a nineteenth-century school of thought first explored by Auguste Comte (1798-1857).

Comte's theory had a profound impact on the thinking of many social scientists of the time and contributed to the introduction and development of sociology as a new science of society. The new methodology changed its domain from philosophy to science and from speculation to the required gathering of empirical data. Becoming a positivistic methodology study, the phenomena that can be perceived through the senses, and employ scientific methods, is very similar to those employed by physical scientists (Sorantakos, 1998).

According to Acton, (1970: 21) positivism is:

the view that the only way to obtain knowledge of the world is by means of sense perception and introspection and the methods of the empirical sciences.

For the positivists it is futile to attempt to deduce or demonstrate truths about the world from alleged self-evident promises, which are not based primarily on sense perception (Acton, 1970: 23). According to them:

the knowledge of things can only be advanced by framing hypothesis, testing them by observation and experiment, and reshaping them in the light of what these reveal.

The science is based on strict rules and procedures, being unsuitable for studying social reality because it is biased, unsystematic, and logically inconsistent. Besides this, it is also deductive (from general to specific), nomothetic (based on universal laws) and separates facts from values; it is a value-free science (Sarantakos, 1998).

There are some advantages to the positivist viewpoint. It provides not only all independent and objective views of what is being studied but also helps to identify causal explanations and fundamental laws. But, its major impact was in scientific method, providing a new rationale for science that amounted to a literal paradigm revolution.

However, critics of this philosophy argued that the choice of these methods can be inflexible, artificial and are ineffective regarding the significance people attached to actions (Easterby-Smith, et al. 1996). Also, that its concerns with abstract laws or formulas are not relevant to the actual lives of real people.

Positivism is usually associated with the use of quantitative research methods and the collection of large data samples.

5.2.4 – Phenomenology

The second philosophical tradition, phenomenology, has developed since the 1950s in reaction to objective, exterior, positive stance, and as a reaction to positivism in social science (Easterby-Smith et al; 1991).

Phenomenology is the science of phenomena. This means it is a fact or occurrence that appears or is perceived (Allen, 1990).

It developed as a result of observations suggesting that major advances in science were produced by independent, creative thinking, rather than through a logical and rational application of scientific methods (Easterby-Smith et al; 1991).

The phenomenological paradigm tries to understand human behaviour from the participant's own frame of reference.

According to Easterby-Smith et al (1991) phenomenology is based on the notion that reality is socially constructed rather than externally determined and research should therefore attempt to assess the reasons and meanings behind different people's experience. Phenomenology would help to understand people's mind sets, and give the researcher the possibility of looking at the change process over time and adjusting to new ideas that emerge. For Morgan and Swireich (1980) reality is seen as a projection of human imagination, and there is no social world apart from that which is inside the individual mind.

The main advantages of using phenomenology suggested by Saunders et al., (1997) are firstly, that it facilitates understanding of how and why, and secondly it enables the researcher to be alive to changes which occur during the research process, and allows good understanding of that social process.

However, the principal criticisms are that data collection can be time consuming, data analysis is difficult and also the researcher has to live with the uncertainty that clear patterns may not emerge; in addition it is generally perceived as less credible by 'non-researchers'.

Phenomenology is associated with the use of qualitative research methods and consequently with the collection of smaller data samples.

However, another point of view is presented by Fielding and Fielding (1986), who advocated that the use of both qualitative and quantitative methods can facilitate understanding the perspectives of the factors being studied. The principal features of the two main paradigms are summarised in the next table.

Table. 5.1 – Features of the two Main Paradigms

| Positivism Paradigm | Phenomenological Paradigm |
|---|--|
| Tends to produce quantitative data. Uses large samples. Concerned with hypothesis testing. Data is highly specific and precise. The location is artificial. Reliability is high. Validity is low. Generalises from sample to population. | Tends to produce qualitative data. Uses small samples. Concerned with generating theories. Data is rich and subjective. The location is natural. Reliability is low. Validity is high. Generalises from one setting to another. |

Source Hussey and Hussey,

Having discussed the principal theoretical methodological principles, the principal methodologies are now introduced.

5.3 – Research Design

5.3.1 – Introduction

The principal methodologies discussed in the work are qualitative and quantitative methods, and their respective advantages and disadvantages are set out as well as the reasons why quantitative methods were chosen for this work.

5.3.2 - Qualitative vs. Quantitative Methods

5.3.2.1 - Qualitative Approach

By the term 'qualitative research' we mean any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification.

(Strauss and Corbin; 1990: 17).

It is based on the methodological principles of phenomenology, and is a non-numerical attribute of an individual or an object (Hussey and Hussey; 1997).

Qualitative methodology is associated with diverse methods in social science. It considers everything that is not quantitative, but also is perceived as a supplement to qualitative research or as its opposite or alternative (Sarantakos; 1998).

The principal types of qualitative research are in-depth interviews and focus-group discussions. The latter are usually associated with the creation of ideas and hypothesis development (Aaker and Day; 1990).

5.3.2.2 - Quantitative Approach

Quantitative methodology is based on the methodological principles of positivism and neopositivism (Sarantakos; 1998). It focuses on structured issues rather than more complex issues of process (Newman; 2000).

Quantitative research can operate as a research strategy to value quantification in the collection of data, and that:

- Entails a deductive approach to the relationship between theory and research, in which the emphasis is placed on the testing of theories;

- Incorporates the practice and norms of the natural scientific model and of positivism in particular; and
- Embodies a view of social reality as an external, objective reality.

(Newman; 2000)

The most common methods of data collection are surveys, documentary methods, observation, sociometry and experiments (Sorantakos; 1998).

Each of these methods has their advantages and disadvantages. They must be analysed in the context of a specific research problem.

The following table 5.2 shows the strengths and weaknesses of quantitative and qualitative methods.

Table 5.2 - Strengths and Weaknesses of Quantitative and Qualitative Methods

| | Quantitative | Qualitative |
|------------|---|--|
| Strengths | Relatively quick Cheap Simple Offers useful overview Helpful as prelude to qualitative | Greater accuracy Provides facts Results more detailed Greater scope for prediction Margin of error can be calculated |
| Weaknesses | Subjectivity Higher levels of interpretation skill required. Statistical accuracy can be reduced Greater chance of bias through difficulty interpretation of the results | Slower More expensive More complicated Computer analysis often required Lower response rates Closed questions tend to force answers into limited categories |

Source: Marsh (1988: 34)

The quantitative approach has several methods for collecting data such as personnel interviews, telephone interviews and posted surveys. Alternatively two or more of the methods referred to above could be combined. Each one of these approaches has its advantages and disadvantages as shown in the following table.

Table 5.3 - Advantages and Disadvantages of Quantitative Methods

| Characteristics | Personnel Interview | Telephone Interview | Post Survey |
|---|---------------------|---------------------|--------------|
| 1-Accuracy of data that are collected from individual respondent. | Fair to very good | Fair to very good | Very good |
| 2- Amount of data that can be collected. | Excellent | Fair to very good | Fair |
| 3- Flexibility | Excellent | Good | Poor |
| 4- Sample bias (response rate) | Excellent | Good | Poor to Good |
| 5- Direct cost per completed interview. | Poor to fair | Good | Excellent |
| 6- Time requirements | Poor to fair | Good to Excellent | Fair |
| 7- Administrative problems | Poor | Good | Very Good |

Source: Aaker and Day (1990: 220)

5.4 - Research Design

Research design is the *“science (and art) of planning procedures, for conducting studies, and therefore, achieve the most valid findings.*

(Vogt; 1993, 196).

It has two basic purposes:

1. To provide answers to research questions and
2. To control variables

(Kerlinger,1986).

To complete a research study successfully depends on having a clearly defined purpose and access to useful data pertinent to that purpose (Adams and Schvaneveldt, 1991). Different problems require that different strategies be employed in successful research. The strategy employs the approach or the research tools involved relate to the idea known as research design.

A research design provides a framework for the collection and analysis of data. A choice of research design reflects decisions about the priority given to a range of dimensions of the research process.

(Bryman, 2001: 29).

Thus, the investigation has a program that guides him in the process of collecting, analyzing and interpreting observations. It enables him to come up with solutions to the problems.

The most common designs in the study of social science are exploratory, descriptive and explanatory research designs (Ghauri, et al; 1995). Each one of these research designs will be referred to individually.

5.4.1 - Exploratory Research

Exploratory research tends to be a valuable means of finding out *“what is happening; to seek new insights; to ask questions and to assess phenomena in a new light”* (Robson; 1993: 17). They are often a preliminary form of investigation which requires the use of literature researches, experience surveys or scrutiny of case material for example, as a source of initial understanding for researchers (Kidder; 1981; Aaker and Day; 1983).

There are three ways of conducting exploratory research:

- A search of the literature
- Talking to experts in the subject
- And conducting focus group interviews

They are of extreme importance when we want to clarify our understanding of a problem.

All the time spent on exploratory research is time very well spent.

The main purpose is to develop and refine research questions for more demanding studies.

According to Babbie (1995) exploratory research is typically done:

1. To satisfy the researcher's curiosity and to desire for better understanding
2. To test the feasibility of undertaking a more careful study,
3. To develop the methods to be employed in a more careful study.

The great advantage is that it is not only flexible in producing and integrating creative ideas but also in setting precedents for further research and theory, so we must be prepared for that.

Adams and Schvaneveldt (1991) go further and reinforce this point, arguing that flexibility does not mean absence of direction to the enquiry. In the beginning, the focus is broad and then becomes progressively narrower as the research progresses.

5.4.2 - Descriptive Research

According to Black (1999), the term "descriptive" is practical and operational – and refers to studies based on designs that conduct the description of a phenomenon's characteristics.

The aim of descriptive research is to form an accurate profile of persons, events or situations in order to have a clear picture of the phenomena on which we wish to collect data before the collection of the data. They do not use hypotheses, and describe each of these entities one variable at a time (Mark, 1996). Adams and Schvaneveldt (1991) go further and argue that descriptive research involves not only gathering data and analysis but also interpretation, contrast, classification, and integration of findings. They use words and numbers to describe what it is.

They help us to describe and understand a phenomenon so that later we may be able to create theories and hypotheses for future research.

5.4.3 - Explanatory Research

Explanatory research goes beyond superficial description and tries to explain a phenomenon. Explanation itself is according to (Punch; 2000) a complex philosophical concept.

Explanatory studies are studies which establish causal relationships between variables (Saunders et al., 1997). The emphasis is in studying a problem in order to explain the relationships between variables. Besides, they try to make complicated things understandable. Their aim is to find out the reasons for things, showing “**why**” and “**how**” they are “**what**” they are (Punch; 2000). They test hypotheses formulated to explain phenomena of interest.

Explanation is a less restricted purpose than description. It is possible to describe without explaining, but it is really impossible to explain without describing. Thus, it goes further than descriptive research and explains something more. Its first concern is with testing or verifying theory and/or generating theory.

Both descriptive and explanatory studies have their place in research and neither is better than the other (Punch; 2000). In this study we essentially adopted a descriptive approach because we wanted to have a description of the decision-maker’s characteristics. We studied the profiles of these men in order to have a clear picture of those who make the decisions in the firms. Finally, we want to understand what the relationship is between company and decision-makers’ characteristics and their propensity to export.

5. 5- Data Generation Sources and Communication Method

5.5.1 - Introduction

The data sources used in this study are of two types: secondary and primary data. Secondary data analysis has a very rich intellectual tradition in the social sciences (Saunders et al., 1997). They include both new data and published summaries.

They usually refer to “the use of research materials by persons other than those who gathered there and/or for purposes different from the original project objectives” (Chadwick et al., 1984).

According to Naroll (1962) these data are less reliable than primary data, because they include accounts by non-observers, based on existing information not directly examined on these reports, and are based on accounts by non-observers who did not publish primary data.

The principal advantages are:

- They are collected on a regular or periodic basis and yield information on trends over time (Blalock and Blalock; 1982)
- Avoid the problems of gaining the subjects’ co-operation (Blalock and Blalock; 1982).
- Economy in money and time (Glaser; 1962)
- Opportunity for longitudinal analysis (Bryman; 2001)
- Opportunity for cross-cultural analysis (Bryman; 2001)

The second type of data is primary data. This is collected by the researcher first hand, usually through surveys, interviews, or participant observation (McNeill, 1990: 15) and

“includes artefacts or statements of participants and eyewitness observers, or accounts by non-observers based on reports or field notes of participants who are no longer available.”

The most frequent methods of collecting this kind of data are surveys and case studies. After the decision to use a survey as a means of work in our research, now we had to decide the most appropriate method for obtaining the primary data. Among methods that can be used for conducting surveys, the most common are the personal interview, telephone interview and postal questionnaires. Each of these three methods has their advantages and disadvantages, but in all of them, the interviewer plays an active role in its development. This method of generating data was considered to be the most appropriate for the present study because it was our intention to contact a significant number of interviewees and we were constrained by time, volume and number of variables involved.

When data is obtained by questions, it can be asked by interviewers in what is described as a face-to-face interview, by interviewers over the telephone, given in written form either on paper where the respondent has to write answers (post questionnaire) or in written form by using a computer where the respondent has to key in responses (Johnson and Vahlne 1992). However, only three of these methods are considered here.

Each of these three methods of collection data will be examined individually. These data-generation methods were considered because they appeared to be the most appropriate for this study.

5.5.2 - Personal Interview

The personal interview is a face-to-face interview, interpersonal, where an interviewer asks respondents questions designed to elicit answers specific to the research hypotheses (Sapsford and Jupp, 1996). The two key elements are the respondent and the interviewer. This kind of question is associated with great flexibility and is adaptable in the questionnaire process. Interviews can range from the highly-structured to the non-structured, depending on the research problem under examination. The personal interview gives higher control over the interviewing situation and a higher response rate than the post

questionnaire and the interviewer can collect supplementary information about respondents. However, it is the most expensive of the three methods. The higher flexibility leaves room for the interviewer's personal influence and bias, and offers less assurance of anonymity to the respondents (Sapsford and Jupp, 1996; Frankfort-Nachmias and Nachmias, 1996; Robson, 1993; Sarantakos, 1998).

5.5.3 - Telephone Interview

The telephone interview or telephone survey, as many people also call it, can be characterised as a semi-personal method of collecting information (Frankfort-Nachmias and Nachmias, 1996). These kinds of interviews are a variant on the face-to-face interview (Sapsford and Jupp, 1996).

The principal reasons for doing telephone interviews according to Denscombe (1998) are:

- Telephone interviewing is cheaper and quicker than face-to-face interviewing.
- Question marks are now being placed against the assumption that face-to-face interviews produce better, more accurate, data
- There is now less chance of bias in the sample when conducting interviews by phone.

Moreover, telephone interviews have a higher response rate than personal interviews and the length of the data collection period is usually shorter for telephone interviews than for the other methods.

However, the questions must be short and fairly simple, and the answer choices that are received by the respondent must also be few, short and of course simple.

5.5.4 – Postal Questionnaire

The postal questionnaire is an impersonal survey method. It is probably the best known kind of survey and involves sending “self-completion” questionnaires through the post.

(Denscombe, 1998). It tends to only be used with large mailings covering a wide geographical area, where a local response will still provide sufficient data for our analysis. It is of fundamental importance to have clear and simple statements, as well as clear instructions that must be understood by the respondents (Czaja and Blair, 1996).

The postal questionnaire as well as the two methods referred to before, have their advantages and disadvantages. It is regarded as having low costs in its administration. Processing and analysis are also simpler and cheaper than the other methods. In addition, they reduce biasing error and afford greater anonymity, preferably when the questions demand a considered answer or if answers require consulting personal documents (Frankfort-Nachmias and Nachmias, 1996). However, we cannot control who fills out the questionnaires and it is difficult to rectify a low response rate.

Of the three data generation methods referred to above, the mail questionnaire was the method adopted by the author allowing the data to be collected and assembled. The justification for our choice is explained below under the following labels of research constraints, sampling issues, response issues and lastly methodological issues.

5.5.5 - Research Constraints

As referred to above, the mail questionnaire turned out to be the most appropriate method.

As well as being the least expensive method of collecting the data, it was also the quickest method, as the questionnaire could be sent to all the interviewees simultaneously.

The main advantage of the mail questionnaire lies in its relatively low cost, compared with the other methods, particularly as respondents were resident in two countries. The cost of postage stamps compares very favourably with the alternative of calls or expensive travel costs for interviews.

Further limitations became evident such as “sampling” issues.

5.5.6 - Sampling Issues

The information obtained in the surveys is significantly larger than that which could be obtained from other methods. Surveys are particularly associated with large-scale research describing many people or events.

Likewise, there are many advantages of covering large samples, due to the benefits of external validity and generalisation of research findings for other contexts. A further reason to implement the mail questionnaire was the consideration of the responses.

5.5.7 – Response Issues

The response issues considered by the author were the following:

- It is very easy to get people to participate in surveys.
- It is the most common method adopted in social science (marketing) and therefore the interviewers are very familiar with it.
- It gives great assurance and anonymity.

Above all, the universities were seen as creditable institutions, and the reluctance to answer was less than if we had been in the presence of commercial institutions.

The mail questionnaire allowed the interviewers to consult their records if needed.

It is possible to compare the respondent's answers and each respondent is exposed to the same wording.

The last limitation was found to be that of methodological issues.

5.5.8 - Methodological Issues

According to Dillman (1978) the mail questionnaire produced fewer biased responses in the direction of social desirability than the interviews did.

In spite of the fact that the data was collected from many different places, direct control was not required.

In order to have a perfect understanding about the process of selecting the appropriate source of data, see the following diagram (See Figure 5.1; 5.2 and 5.3 below).

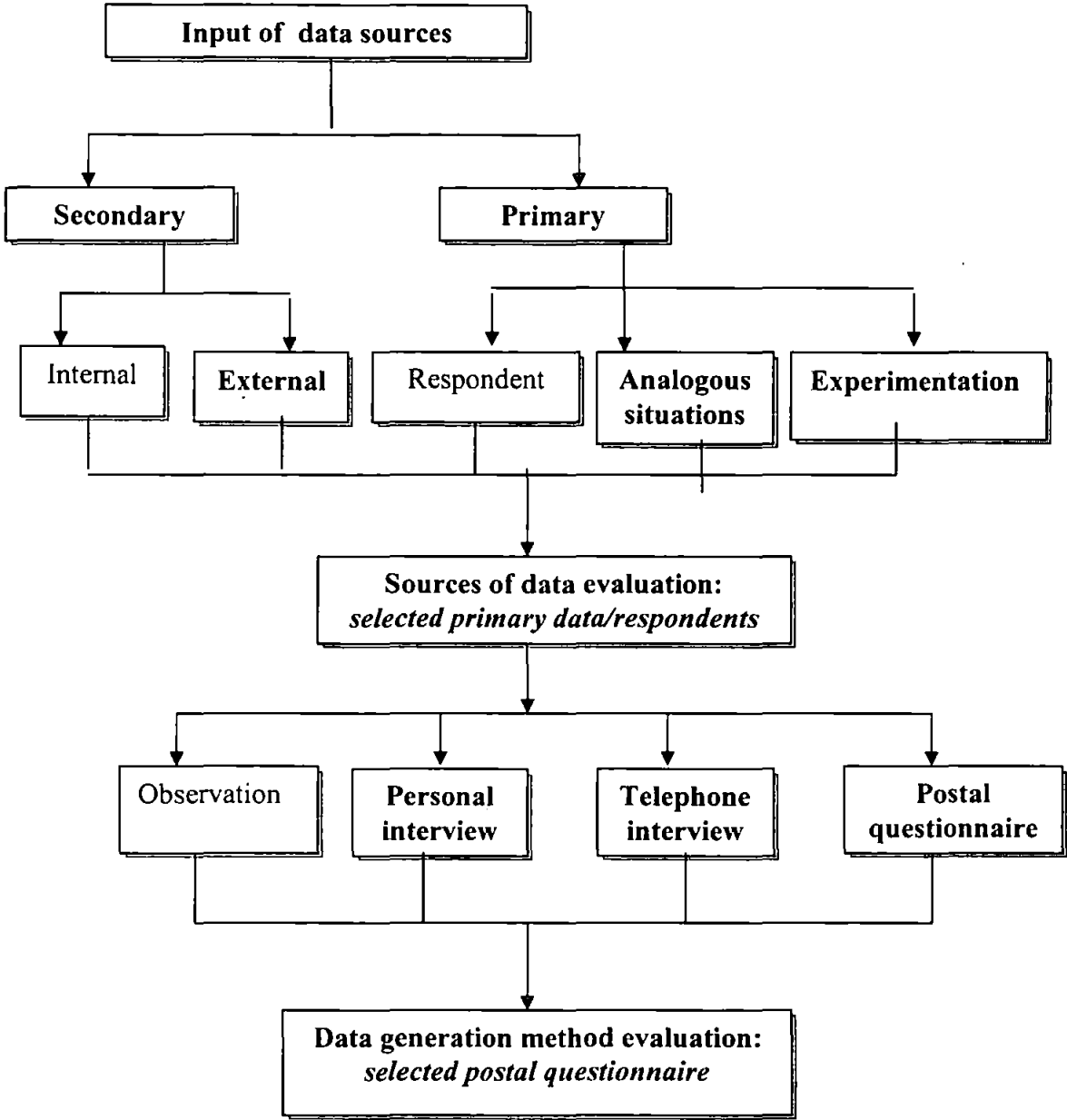
5.6 - Questionnaire Development Process: Operationalisation and Measurement of Variables

5.6.1 - Introduction

One of the most important problems in social science research is to draw up a good questionnaire. This is not an easy job, but with the help of models, the work can become easier. In this study, we have followed the models of Churchill (1991), Tull and Hawkins (1980) and Morgan (1986). Paying special attention to the implementing of the questionnaire is of fundamental importance in the resolution of problems connected with the mail questionnaire. Thus, great attention was paid to the forming of the questionnaire, in order to reduce and minimize possible mistakes and increase the number of responses.

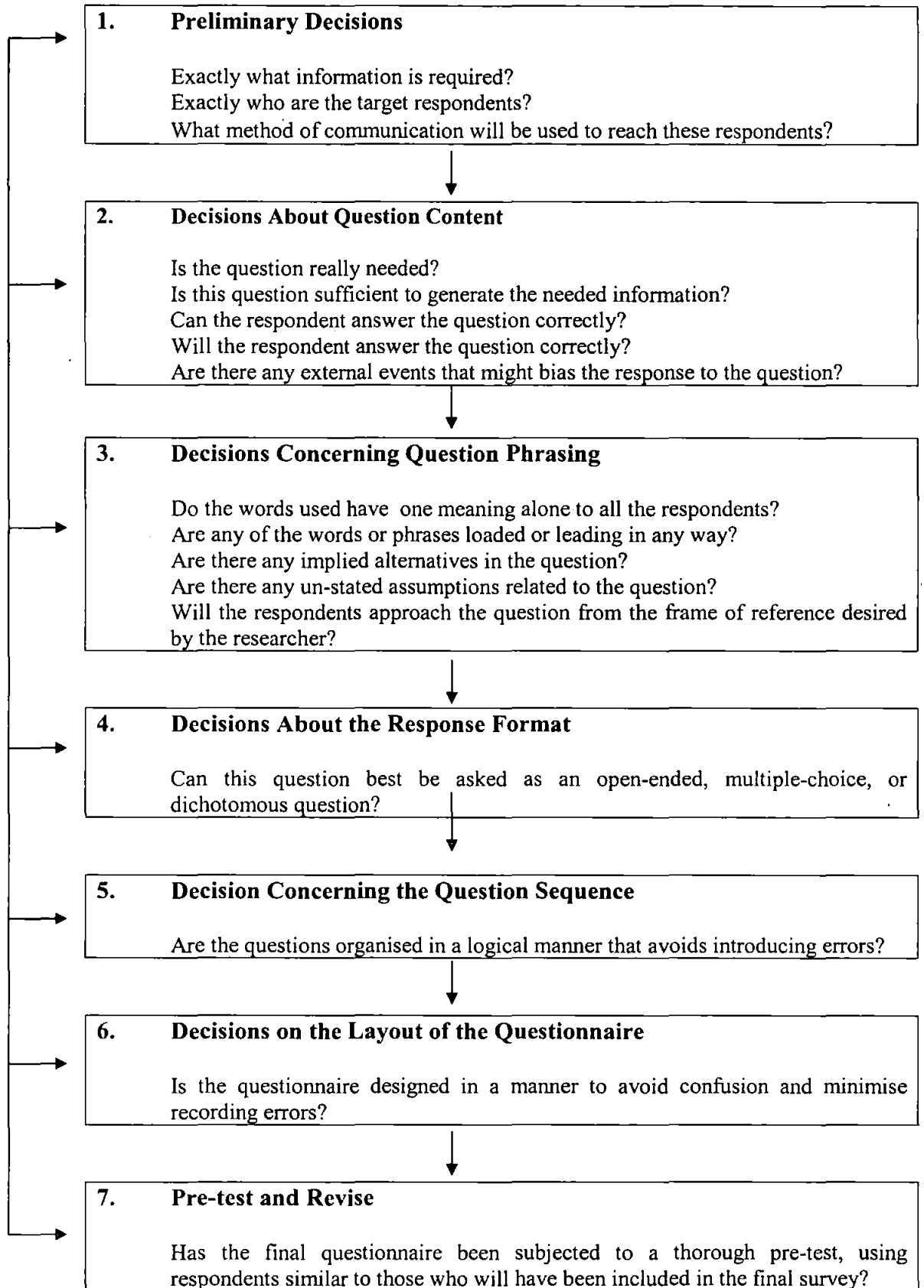
Therefore, not one model was followed in detail but, they were excellent in order to encourage discipline and rigour in the formulation of the questionnaire.

Figure 5:1 - The Process of Selecting the Most Appropriate Source of Data and Data Generation Method



Source: Morgan 1995

Figure 5:2 - Implications for Questionnaire Design



Source: Tull and Hawkins (1980: 247)

Figure 5:3 Questionnaire Development Process

Step (1)

**Specify what information
will be sought**

Step (2)

**Determine type of questions
and method of administration**

Step (3)

**Determine content of
individual questions**

Step (4)

**Determine form of response
to each question**

Step (5)

**Determine wording
of each question**

Step (6)

**Determine sequence
of questions**

Step (7)

**Determine physical
characteristics of questionnaire**

Step (8)

**Re-examine steps 1-7
and revise if necessary**

Step (9)

| |
|---|
| Pre-test questions and revise if necessary |
|---|

Source: Churchill (1991), p.360.

5.6.2 - Information Sought (Step 1)

Prior to constructing the actual questionnaire, the researcher must decide exactly what information is to be collected from which respondents by what techniques.

(Tull and Hawkins; 1987: 331).

5.6.3 - Decisions about the Response Format (Step 2)

Before starting to draw up a questionnaire, the answer about how much freedom must be given to the respondents must be considered. Then, according to Frankfort-Nachmias and Nachmias (1996) the questions can be classified as either open-ended or closed. However, Aaker et al., (1990) go further, and according to them, the choices can be: (1) open-ended with no classification, where the interviewer tries to record the response verbatim; (2) open-ended, where the interviewer uses pre-coded classifications to record the response; or (3) the closed or structured format in which a question or supplementary card presents the responses to be considered by the respondent.

Sarantakos (1998) also goes further, as had Aaken and Day (1990) done with relation to the open question, and classified the closed question or pre-coded: (a) open-ended question – where the question is followed by an empty writing space, and (b) fixed – alternative question – when the respondents are expected to indicate their answer by placing a tick or a circle next to the relevant category.

The choice of open or closed-ended questions depends on many factors, such as the question content, respondent motivation, and method of administration. Also, the type of respondents, access to skilled coders to code open-ended responses and the amount of time available to develop a good set of unbiased responses are important considerations (de Vaus; 1996).

An open-ended question is one for which respondents formulate their own answers. They are free to formulate their answers in the way they consider to be the best, their own way and in their own words (Sarantakos; 1998). Open-ended questions have the advantage of allowing the respondent great freedom in framing the answers in addition to allowing the analyst to study how the public think about politics rather than just what their opinions are (Weisberg and Bowen, 1977). They also allow the interviewer to ascertain the answer from the respondent when it is not clear or understandable. They allow the interviewer to clear up misunderstandings, and they encourage support (Frankfort-Nachmias and Nachmias, 1996).

However, they also have their disadvantages. They take more time to analyze and they are not very suitable for sensitive questions.

In the research questionnaire the author only used one open-ended question. The aim was to allow all the interviewees to express their point of view about something that was not expressed in the questionnaire.

Then, they were supplied with a small space in page 5 of the questionnaire to do this

Closed Questions - In this type of question the interviewees make one or more choices from a list of possible answers, rated on a scale. The answers given are rated and all the variables are measured on horizontal 5-point semantic differential scales, Likert scales or stapel scales.

Closed-ended questions are adequate when the researcher's objective is to lead the respondent to express agreement or disagreement with an explicit point of view (Frankfort-Nachmias and Nachmias, 1996).

The principal advantage of the closed questions is that it provides a uniform frame of reference for respondents to use in determining their answers to the question (Weisberg and Bowen, 1977). They are much easier to write if designed carefully and with sufficient protesting, resulting in more efficient data collection, processing, and analysis (Bourque and Fielder, 1995). Besides, they are easier to answer, require less effort by the interviewer, contain less potential for error, take less time and the answers are directly comparable from respondent to respondent (Aaker and Day; 1990). However, they also have their disadvantages. They are much more difficult to design, provide fewer opportunities for self-expression, and do not allow for middle alternatives to be included in the questions.

Sometimes a good resolution is to use a combination of open and closed questions (Sarantakos; 1998).

5.6.4 - Types of Questionnaire (Step 3)

Here, the key issue is how the information should be obtained. For our specific case the most appropriate way is to use the structured questionnaire. This kind of structured interview is associated with the survey research used in quantitative research and it is one of the most popular techniques (May, 1993). Its purpose is to reduce the highest degree of uniformity in procedure (Sarantakos; 1998) this method permits comparability between responses.

The collection of data will take place at one point in time and therefore the cross-sectional approach is our choice. This kind of approach usually involves large samples and is typically collected by mailed questionnaires as well as other methods (Adams and Schvaneveldt, 1991).

5.6.4.1 - The Questionnaire Design

A questionnaire is a highly structured data collection technique whereby each respondent is asked much the same set of questions.

(De Vaus, 1996: 80)

It is the most widely used survey data collection technique.

According to Frankfort-Nachmias and Nachmias (1996) it must translate the research objectives into specific questions and the answers to such questions will provide the data for hypothesis testing.

There are no established procedures that will lead consistently to a 'good' questionnaire (Aaker and Day; 1990).

To construct questionnaires is a difficult task which demands not only methodological competence but also extensive experience in general, and questioning techniques in particular (Sarantakos; 1998).

However, the general rules of questionnaire design are something that we can not understand (Weisberg Bowen, 1977).

5.6.5 - Individual Question Content (Step-4)

5.6.5.1 - Firm Characteristics

The aim of these questions was to try to understand the profile of the firms involved in exporting. We wanted to understand if they followed the traditional rules as referred to in chapter 3 and/or if they were created as international.

To have an understanding about the subject, it is necessary to have an in-depth knowledge about the firm's characteristics. Hence, they were operationalised on the basis of the following dimensions:

The number of years involved in business; timing of export; the number of countries which they export to; the number of employees employed; the level of involvement in exporting; the competitiveness of the company; and patent strength.

The questions were asked as follows:

Year's involvement in business: How many years has your company been operating?

Timing of export: How many years has your company been engaged in exporting? Country

involvement: How many countries does your company export to? Employees employed:

How many full-time or full-time equivalent employees does the company presently employ?

Involvement in exporting: How many employees are directly involved in exporting?

Competitiveness of Company: How would you describe your company relative to the best suppliers/producers in the market in the following areas: Product quality; Ability to improve new products; Design of products and Price? Patent strength: How would you describe the strength of your company's patent/licence/design/copyright (if applicable)?.

All these questions were borrowed from the works of Morgan, (1995); Raposo, (1994); Hoang, (1998) and Joynt (1982). All are according to the original version apart from question 6 (the competitiveness of the company) where a small adaptation from the original version was made.

The intention was to make it more operational and extensive. They are all closed questions.

5.6.5.2 - Production

The intention of this second group of questions was to try to understand whether the level of technology development has an influence on the internationalisation of the firms and whether there is or is not a direct relationship between technological development and propensity to export. And which characteristics determined whether there is a propensity to export.

These questions were borrowed from the studies of Morgan (1995); Hoang (1998); and Raposo (1994) and all are according to their original version.

The production questions were phrased around seven questions, each with different formats. Each one was considered to be the most appropriate according to the aims and characteristics of the question. Furthermore, they had been used before with good results.

The production questions were phrased as follows:

- (a) What are the main products made by your company? (b) How would you describe your company's main product across both U. K. and foreign markets: More or less standard for all customers? and designed/produced to meet customer specifications? (c) How many new products, developed by your firm, have you been exporting during the last 5 years? (d) Does your company have a quality control department? (e) How would you describe the department in terms of its contribution to the quality of your products? (f) Which of the following items best describes the nature of your production*

methods? Highly labour intensive; labour intensive; equally split between labour intensive and automated; automated; and highly automated. If your company has used new production methods in the last three years, please indicate your level of agreement with the following statements: we have used new raw material; we have used new computer equipment; we have implemented robotic equipment; we have implemented automation process production; we have implemented application laser; and other methods (please specify)?.

5.6.5.3 - Export Performance – Dependent Variable

The problems and issues in assessing export performance are very far from being consensual. The two major issues that are critical in the evaluation of firm performance in export markets are “performance assessment” (Dess and Robinson, 1984; Venkatraman and Ramanujam, 1987) and the choice of “performance dimensions” that should be measured (Deshpande et al., 1993; Szymanski et al., 1993).

Despite these problems, the most commonly used measures to evaluate the performance in overseas markets have been: a) export sales; b) ratio of export sales to total sales; c) profitability in overseas markets; and d) growth of export sales/profits. However, few studies have examined export profitability (Cavusgil, 1984; Madsen, 1989), because of the measurement problems involved and the owners of SME(s) are always reluctant to give financial information.

In the present work we took all these issues into consideration in order to minimise their effects.

The emphasis was to identify which parameters (firms or subjective/objective decision-maker's characteristics) affect the propensity to export. Furthermore, to know how sales are shared between the national and international market. Next, it was the intention of the author to know if export increased or decreased in the last five years. In addition, the idea

was to try to understand whether they will evolve to increase or decrease. Finally, this study was carried out over a period of five years as this was considered to be a reasonable time. This measure (export intensity) has been frequently used (Axinn, 1988; Bello and Williamson, 1985; Bilkey, 1985; Burton and Schlegelmilch, 1987). The questions were adapted from their original version in the works of Raposo (1994); and Hoang (1998).

It was our intention to give them the maximum operationalisation. Hence, the reason why we created only one dependent variable.

Thus, the questions posed were: (a) What is the percentage of your sales for the national and international markets respectively (b) over the last five years, total export sales have greatly decreased – decreased – remained unchanged – increased or greatly increased? (c) If exports have decreased or increased, by approximately how much?

5.6.5.4 - Decision-Maker Characteristics

It is the aim of this research project to provide a clear understanding of the decision-makers' characteristics and their relationship with export behaviour, as was defined in chapter 4. Then, the question connected with him or her (the decision-maker) is of fundamental importance. Hence, in order to have an in-depth understanding about their characteristics, the author considered several variables as can be seen in the respective questions. They were considered as objective and subjective in nature.

5.6.5.5 - Objective Decision –Maker Characteristics

The questions were taken from Morgan (1995) and Joynt (1982). Question 19 was altered slightly. The aim of this alteration was to make it more operational and adaptable not only in this new academic study but also to the specific countries involved. This suggestion comes from a member of the academic staff, who supervised the construction of the questionnaire. All the remaining questions are according to the original source.

These questions were designed to elicit objective information from the respondents regarding their backgrounds, such as: age; academic qualification; competence in foreign languages: nationality and number of years lived abroad.

The questions were stated as follows:

Age: How old are you? Academic qualification: Indicate the last grade you completed in school/college/university. Competence in foreign language: How well do you speak the following languages: French; Spanish; German; and Portuguese? Number of years lived abroad: Have you ever lived abroad? If the answer is yes, for how long in total. Nationality: Where were you born?

5.6.5.6 - Subjective Decision- Maker Characteristics

The subjective questions are connected to the attitude of the decision makers. Rather Than asking for objective facts they were testing decision-makers' perceptions and opinions. This type of question is often not only the most difficult to formulate (Moser and Kalton, 1972) but also may be subject to doubts about the validity of its construction due to the influence of existing psychological concepts, such as motivation or culture, on respondents' performance or responses (Schmitt and Klimoski, 1991).

The subjective decision-makers' characteristics were formulated by asking three questions, each one of them with several variables.

The questions concerned their perceived attractiveness of exporting regarding the risk, costs and benefits from exporting.

All the questions were measured in a five-point Likert scales varying from strongly disagree to strongly agree. The first question tried to understand if the decision –makers like to take risks or not.

The question was phrased, as follows:

Exporting is risky due to: incorrect market information; confusing foreign import regulations; unfamiliar foreign business practices; non-payment of goods; adverse political events overseas; possible loss of brand integrity.

The second question was formulated by the author after consulting an extensive literature review about the subject and with the help of academic staff, who are an authority in the area of finance. The aim of this question is try to understand the perception of the devisors relative to the costs of exporting.

The question was formulated in the following way:

The costs of exporting are higher than those associated with domestic sales due to: Higher distribution costs; Higher level and administrative costs; Higher cash-flow needs; Higher financing costs; Additional payment assurance costs. Higher information costs.

The third and final question is relative to the understanding of the potential benefits that can be taken from exporting. The question and respective variables are:

The benefits from exporting are: Overcomes a limited home market; adds to the firm's overall profitability; reduces the impact of domestic economic downturn; exploits economies of scale; allows our firm to diversify its markets gives our firm a prestigious image; allows our firm to sell off surplus production.

5.6.5.7 - Organisational Commitment

Commitment was measured using a questionnaire developed by Morgan (1995), Raposo (1994, Hoang (1998), and Joynt (1982). Each item of the questionnaire asks the subject to

express his or her agreement or disagreement with the item on a five-point Likert scale, ranging from “strongly disagree” to “strongly agree”

The organisational commitment was phrased around three generic questions as follows:

When planning for export activities: Our senior management provides planning direction; We draw upon knowledge and experience from different levels of staff; Our plans are drafted and then regularly reviewed and revised; We provide training to assist in the effectiveness of our planning for export activities; We use a number of motivational incentives to encourage good planning for export activities; We allocate sufficient time to formulate our planning for export activities;

All variables from the former question were borrowed from the work of Morgan (1995).

The second question is related to commitment to exporting and is also like the former, complemented by a battery of commitment variables. Here also, the five-point scale was used.

The question and the variables are:

When promoting internationally we: Visit foreign customers; Attend international trade shows; Invite foreign clients to visit manufacturing plants/offices; Send out catalogues; Send free sample /gifts; Offer discount /price reductions; Advertise.

All the variables from the second question were borrowed from Hoang’s (1998) work.

The third and final question is also related to the five-point scale, with five variables. They are:

In our department: there are sufficient staff in the export department of our company; A sufficient proportion of the Managing Director's (in U. K.) time is devoted to the exporting department; The number of employees in our export department is sufficient for an eventual expansion of business in other countries; Our staff are trained in international activities; There is a sufficient proportion of export employees to total employees.

Question 30 was formulated in the following way:

Approximately, how much do you spend on international promotion as a percentage of total export sales?

5.6.6 - Decision concerning the question wording/sequence (step 5)

It is of fundamental importance to develop clear, unambiguous and useful questions (de Vaus, 1996).

According to Chadwick et al., (1984) there are some investigators who might argue that any change in the wording of a question results in a different question. Davis (1976: 21) writes:

“Slight changes in question wordings can produce distinct effects on item distributions“

Particular attention must be paid not only to systematic variations in question form of the type we have considered in preceding chapters, but also to unique changes in the choice of words for a particular item (Schuman and Presser, 1996). In order to avoid possible errors, the following precautions were considered.

1) Use simple language; 2) Short questions; 3) avoid negative questions; 4) use filter questions if we are not sure whether the respondent has the necessary knowledge; 5) ensure the words have the same meaning for everyone; 6) avoid questions; 7) use direct or indirect questions as appropriate (de Vaus, 1996).

5.6.6.1 - Questions Sequence

It is extremely important to spend enough time considering the order and flow of questions in the questionnaire.

Studies have shown that the order in which they are presented affects the type of response given. There are two patterns of questions that are adequate to motivate respondents to cooperate: the funnel sequence and the inverted-funnel sequence.

In funnel sequence each question is related to the previous questions and has a progressive narrower scope. This kind of sequence of questions must be done when the objective of the survey is to obtain in-depth information and when the respondent is highly motivated to give the information.

Inverted funnel sequence – the narrower questions are followed by broader ones. This kind of question has the aim to motivate the respondents to communicate. The questions must begin with the narrow questions, and reserve the more difficult ones for later (Saunders and all, 1997)

General rule-of-thumb principles adopted here were:

- 1) easy questions in the beginning in order to create rapport between the interviewer and the respondent (Saunders and all, 1997)
- 2) the more difficult or sensitive questions later in the questionnaire (Sudman and Bradburn, 1973; Churchill, 1991)

- 3) At the end, an open question for the respondents' answers, in case they considered there were subjects not covered or any other ideas that they would like to express which they did not have the opportunity to refer to before.

5.6.7 - Decisions on the Layout of the Questionnaire (step 6)

Layout is very important for both self-administered and interviewer-administered questionnaires.

In the case of self-administered questionnaires, these should not only be attractive to encourage the respondents to fill it in, but also not give the appearance of be:

1) the research objective; 2) type of respondents; 3) methods of analysis; 4) and availability of resources. However, according to Sarantakos (1998: 228):

The golden rule with respect to questionnaire size is that one should include as many questions as necessary and as few as possible.

Every question should have a specific purpose.

The length of questionnaire affects the response rate (Saunders et al., 1998). The smaller it is, the more likely it is to be completed (Sarantakos, 1998).

In spite of the general rule that says that the questionnaire must be as short as possible, according to Saunders et al., (1997), an optimal length is six to eight A4 pages for self – administered questionnaires, within organisations. In order to reduce length without reducing legibility, the author placed questions in rows and responses in columns.

5.6.8 - Pilot Study - Pre-Tests the Questionnaire (step 7)

According to Hunt et al., (1982), Baker (1991), and Webb (1992) a review of pedagogical tests and prescriptive writing on empirical methodologies is of fundamental importance and therefore, there is the necessity to pre-test and refine survey instruments.

Pre-tests and pilot studies have become a part of every research and a standard feature of modern research methodology.

Pre-tests are small tests of single elements of the research instrument and are predominantly used to check eventual 'mechanical' problems of these instruments.

(Sarantakos, 1998: 292)

The pilot study is the final procedure in the questionnaire design and according to (Borg and Gall (1974; 21) it is defined as:

..... a small scale model of a research project involving only few subjects, which is carried in order to improve the plan before the researcher makes the major investment in time and effort required to carry out the planned research.

It is a replica and a rehearsal of the main study. The purposes of the pilot study are to:

1) determine respondent interest; 2) discover if the questions have meaning for the respondents; 3) check for respondent modification of a question's intent; 4) examine question continuity and flow; 5) experiment with question sequencing patterns; 6) collect early warning data on item variability; and 7) fix the length of the questionnaire (Cooper and Emory, 1995).

In conclusion, the purpose of it is to discover weaknesses, inadequacies, ambiguities and problems that can be corrected before actual data collection takes places.

The difference between pre-tests and pilot studies is that the latter helps to solve isolated mechanical problems of an instrument, and the former are concerned with administrative and organisational problems related to the whole study and the respondents (Sorantakos, 1989).

Pilot studies should also be conducted in the same manner as the final study, which highlights any problems with the survey length, duration and administration. Besides, it will enable you to obtain some assessment of the question's validity and the reliability of the data collected.

In order to ensure the fitness of purpose, language, wording, sequence and layout of the questionnaire, three-stage piloting was adopted.

The first stage was to test the questionnaire in the scientific community. Several members of the university analysed and made predictions about it. These members of staff are experts of different scientific areas. Each one gave their contribution in order to ensure a good questionnaire. After several and extensive reviews, the first part was concluded.

The second part began the testing of the questionnaire by expert managers. They were questioned about the difficulty in understanding the questionnaire, time spent in answering and question sequences. After small criticisms and suggestions that weren't relevant the corresponding adjustments were made.

Because the questionnaire would run in the U K and Portugal it was necessary to translate from the English into Portuguese. The translation work was carried out by the author himself, with the help of an expert in export management and a very good understanding of the English language.

The third and final stage of the piloting process, was distributing the questionnaire. Questionnaires were sent to the person responsible for exporting in 25 companies. Fifteen were sent to the UK and ten to Portugal. The questionnaires were addressed with a pre-paid return envelope. From the 25 questionnaires sent, two were received back from the UK, which corresponded to 13%, and one from Portugal, which represented 10%. One of the respondents misunderstood the question which asked:

Indicate any foreign languages you speak and how good your knowledge of each is?

In order to clarify the question which was responded to with two answers, it was decided to divide it into two questions. One which asked:

"How many languages do you speak? "

and the other:

"How good is your knowledge of the following languages?"

In all the other questions, the respondents did not appear to have problems in answering at all. Introducing the modifications in the necessary questions, the last version of the questionnaire was complete.

5.6.9 - Questionnaire Administration (step 8)

All our work was carried out with the intention of obtaining a high percentage of responses. Therefore, several steps were taken to ensure these highest level of responses, detailed in the following paragraphs.

5.6.9.1 - Covering Letter

The cover letter has been recognised as one of the factors that influence the response rate. It is very important in mail questionnaires because the percentage of answers is usually very small.

The main aim of the covering letter is to introduce the respondents to the research topic and research team, as well as to neutralise any doubt or mistrust respondents might have about the study. Second, but not less importantly, the aim is to motivate/encourage them to participate in the study and answer the questions (Sarantakos, 1998).

According to Dillman (1978), the message contained in a self-administered questionnaire's covering letter will affect the response rate.

The minimum number of points that the covering letter must address are:

1) The main objectives and social significance of the study; 2) The research team and its sponsors; 3) The reasons why the respondent should complete the questionnaire; 4) Assurance of anonymity and confidentiality; 5) Requirement for completion such as maximum time, conditions, etc. 6) Issues related to ethics (Sarantakos, 1998).

In addition to the message contained in a questionnaire, according to Becker (1989), and Mahr (1995), even the way the covering letter is addressed, and also the colour of the paper used, the form of letter head and the style and format of the letter are very significant.

In order to achieve as high a percentage rate as possible, all these suggestions and recommendations were followed in our study, as can be seen in the covering letter (see appendix C.1).

5.6.9.2 - Sponsorship

The sponsorship of a questionnaire has a very important effect on respondents, motivating them to fill it in and return it. Simultaneously,

Sponsorship affects the response rate by convincing the respondents of the study's legitimacy and value as well as the perceived sanctions of a failure to reply.

(Frankfort-Nachmias and Nachmias, 1996: 21).

The interviews conducted for universities, government and other institutions have a greater likelihood to have a higher co-operation of respondents than interviewees conducted by others entities.

5.6.9.3 - Instruction letter

We did not write anything connected to instructions in the covering letter. But close to each question in the questionnaire, we gave the respondents a specific indication on how they should answer. The idea was to try not only to simplify the covering letter, but also to make the questionnaire more operational.

5.6.9.4 - Postage

As stated before (see pilot study) a pre-paid addressed envelope was included with every questionnaire.

5.6.9.5 - Sampling Technique

The previous sections introduced the steps followed in the questionnaire development process as well as the questionnaire administration. In this section, sampling method and sampling frame will be presented.

5.6.9.6 - Sampling Method

The population for this study consisted of small and medium-sized firms, and was constituted by the textile, clothing and knitwear sectors.

We only worked with small and medium firms because the Portuguese industrial texture is constituted of fundamentally of medium and small firms.

The textile sector was used because it represents 20% of the total Portuguese exports, and represents the largest sector in exporting.

Firms which employed less than 20 employees were excluded from our study. The reason for this is that they are very small, and are composed of families or have the characteristics of small family firms. This kind of firm could misrepresent the aim of our study. On the other hand, firms with more than 250 employees were also excluded from our study. Their characteristics are different from small and medium firms, and they are outside of our area of interest.

In the literature review there is a chapter which dedicates special attention to this matter.

Secondly, the firms included in our study must be manufacturing and at the same time they must export their manufacturing products.

Thirdly, the firms should be operating and exporting when the questionnaire was sent to the decision-maker.

Fourthly, the firms must be Portuguese and United Kingdom owned, and based in Portuguese or United Kingdom territory.

Finally, the person answering the questionnaire must be the person responsible for the exporting department in each firm, or where this department does not exist, the individual responsible for exporting.

5.6.9.7 - Sampling Frame

The Portuguese population for the research was obtained from Portrade (Portuguese Export and Import Companies). This report is published by the Portuguese Institute for Foreign Trade (ICEP). Furthermore, the statistics from the National Studies Institute were also consulted (INE), but this reference revealed less efficient data because the data was not as useful as that from Portrade. Therefore, it was not used by us in the sample. The information concerning the United Kingdom was taken from Kompass-Products & Services and D&B Market Dun and Bradstreet. It was our concern to check for sampling error, in order to improve the precision and accuracy of the sample. We did not find any evidence that deserved our concerns. Hence, we decided to utilise D&B MarkPlace.

As we had referred to in point five of the sampling method, our sampling unit of analysis was the person responsible for the exporting department in each firm, or where this does not exist, the person responsible for exporting.

5.6.9.8 - Questionnaire Distribution and Follow-Ups

After the sample was carried out, the questionnaires were mailed to the selected firms.

It was our concern to follow all the steps possible that could improve the quality of our work, in order to maximise the percentage of responses. Hence, a covering letter was enclosed with the questionnaire, as referred to in appendices (C1 – C2). It was written on paper with the Plymouth University logo in order to improve the credibility of the work. Furthermore, a pre-paid envelope, addressed to the university was included.

It was our intention to make the work of our interviewees as simple as possible.

In order to know which firms did not respond, each questionnaire was coded with a small number on the back of the last page of the questionnaire. Therefore, the reminder letter was only sent to the firms that did not answer to our first letter in the first 3 weeks.

Each firm was offered an example of the results of our work, if they were interested.

We were concerned not to send the questionnaire during critical periods, such as summer time and Christmas time. In summer time, because the decision-maker could be on holiday, and at Christmas time because this time corresponds to the time of festivities and additionally, it is the time when the books are balanced.

The response rate to the questionnaire will be discussed in the next section

5.6.9.9 - Response Rate Calculation

In the present research the method of response rate calculation is that proposed by the Council of American Survey Research Organisations [CASRO] (1982). This method takes the factors into account and “*makes an assumption that the percentage of ineligible responses among non-respondents is equivalent to that in the respondent set*” Morgan (1995). It has been welcome as a source of standardisation of research reports (Wiseman and Billington, 1984). It has also been used in several academic papers such as that developed by Karimabady and Brunn (1991) and Morgan (1995).

5.6.9.10 - The Portuguese Case

940 questionnaires were mailed to Portuguese firms. After three weeks, a total of 225 questionnaires were received. Of these 225, 140 were considered to be valid and 76 were rejected. Thirty were returned unread because the firms were closed or because they had changed their address. The remaining 46 firms replied that they did not export. After three weeks, a reminder letter was sent to all non-respondent firms. The reminder letter included another questionnaire in case the original has been was lost. A week after the reminder letter was sent, new responses began to arrive. By the end of December, 57 more responses arrived. Of this number, 27 were included in our study and 11 were excluded. The reason for exclusion was:

The address of the firm was not found.

They did not answer because the decision-maker was very busy.

They were not interested in taking part in this survey.

The decision-maker was on holiday.

The decision-maker was abroad on business.

The response rate calculated as recommended [by Casro] is presented in the following table:

Table: 5.4 - Survey Response Rate Statistics

| | |
|---|--------|
| Total number of sampling units | 940 |
| Total number of respondents | 252 |
| Total number of eligible respondents | 167 |
| Total number of ineligible respondents | 85 |
| Percentage of eligible firms | 62.2 % |
| Total number of non-respondents | 688 |
| Expected percentage of eligible firms in non respondents. | 456 |
| Response rate | 26.8 % |

$$[167 \times 100] / [167 + 456] =$$

- Method for response rate calculation advised by the Council of American Survey Research Organisations (1982). For more details see Wiseman and Billington (1984).

In conclusion, the percentage of valid responses from Portuguese firms was around 27 %, as shown in table 5.4 above.

5.6.9.11 - The United Kingdom Case

A total of 900 questionnaires were sent to UK firms. At the end of the time limit (three weeks) a total of 150 questionnaires were received. 110 were included in the research and the remainder excluded. 20 were excluded because the address was not found, 15 because they did not export in 2001, and 5 because they were not interested in participating.

Exactly as we did with the Portuguese firms, a reminder letter was sent three weeks later. By the end of December (return date limit) 95 questionnaires were received. Of these, 55 were considered to be valid and were included in the study. The remaining 40 were excluded. The principal reasons for their exclusion were several, such as:

- They were not completed correctly.
- This year our exports were nil.
- They cannot help as the firm does not take part in this kind of questionnaire.
- They do not want to give information to competitors.
- The percentage of exports was so small that it did not make sense to answer.

Table: 5.5 - Survey Response Rate Statistics

| | |
|---|--------|
| Total number of sampling units | 900 |
| Total number of respondents | 245 |
| Total number of eligible respondents | 165 |
| Total number of ineligible respondents | 80 |
| Percentage of eligible firms | 67.3 % |
| Total number of non-respondents | 655 |
| Expected percentage of eligible firms in non-respondents. | 441 |
| Response rate | 27.2 % |

- Method for response rate calculation advised by the Council of American Survey Research Organisations (1982). For more details see Wiseman and Billington (1984).

The percentage of valid responses by United Kingdom firms was around 27%. Exactly the same as Portugal.

It is very difficult to know if the percentage of those who answered constitutes a good or only satisfactory result.

According to Frank-Nachmias et al (1992) there is not an agreed standard for a minimum response rate. Another point of view, coming from Moser and Kalton (1985: 21), states that:

a poor response rate must constitute a dangerous failing, and if it does not rise above, say, 20 or 30% the failing is so critical as to make the survey results of little, if any, value.

According to the point of view of the former authors and taking into account the results obtained, it could be considered as acceptable.

The response rate obtained in the present study was considered acceptable if we considered the results obtained in similar studies. Examples of these similarities are in the studies of Morgan (1995), Koh (1990) and Samill & Walters, (1990).

5.6.9.12 - Non-Response Bias

In order to test the possibility of any potential non-response bias in the data set, a formal extrapolation test was developed to compare the early and the latest survey respondents. It was developed according to what is advocated by Armstrong and Overton (1977). According to the author, it is assumed that the late respondents have similar characteristics to non-respondents. Consequently, the sample was split into two categories based on survey return dates.

T-test was the method statistic employed to measure any potential non-response bias and it was carried out in both countries separately. The cut-point for Portuguese survey was 115. This means that 115 answers were obtained in the first three weeks and the remainder was obtained only after being sent the remainder letter. The same happened in United Kingdom firms, the cut-point in the questionnaire being 111. According to the results obtained, it was possible to verify that non-response bias was not a problem and the respondents who answered the questionnaire represent the population under investigation very well.

5.7 – Research Methodology Followed in Statistic Analysis

5.7.1 - Multivariate Techniques

Multivariate analysis is the branch of statistics that is concerned with analysing multiple measurements, which have been made on one or many samples of individuals (Cooley and Lohnes, 1971).

In contrast with univariate statistics, it is concerned with the relationship between the measurements across a sample of individuals, items or objects.

According to Johnson and Wichern (1992), a multivariate analysis is a “mixed bag”: it is difficult to classify a scheme for multivariate techniques that is both acceptable and also indicates the appropriateness of the techniques. One of the classifications distinguishes techniques that study interdependent relationships, from those designed to study dependent relationships. Others base their classifications according to the number of populations and the number of sets of variables being studied. However, the choice of method and the type of analyses employed must be based on the objectives of the investigation (Johnson and Wichern, 1992).

Hence, the objectives of scientific investigation, based on multivariate methods, include the following:

- Data reduction or structural simplification
- Sorting and grouping
- Investigation of the dependence among variables
- Prediction
- Hypothesis construction and testing

In the present work, the multivariate techniques employed were the principal components analysis (common factor analysis) and regression analysis.

5.7 - Research Methodology Followed in Statistics Analysis

5.7.1 – Multivariates Techniques

5.7.1.1 - Factor Analysis

Factor analysis is a generic name used to classify a class of multivariate statistical methods whose principal purpose is to define the underlying structure in a data matrix (Hair, Jr. et al., 1995: 366).

The general objective of factor analytical techniques is:

To find a way of condensing (summarising) the information contained in a number of original variables into a smaller set of new, composite dimensions or variates (factors) with a minimum loss of information – that is, to search for and define the fundamental constructs or dimensions assumed to underlie the original variables.

(Hair, Jr. et al. 1995: 368)

With these factor analysis techniques any of these three objectives can be met:

- 1 – Identify the structure of relationships among either variables or respondents.
- 2 – Identify representative variables from a much larger set of variables for use in subsequent multivariate analysis.
- 3 – Create an entire new set of variables, much smaller in number, to partially or completely replace the original set of variables for inclusion in subsequent techniques, ranging from the dependence method of regression, correlation or discriminant analysis to cluster analysis, (another interdependence technique).

However, before running a factor analysis, it is useful to conduct what is called Exploratory Factor Analysis. The aim of this is to check whether or not it is appropriate to use factor analysis on the data collected in this research. The two tests usually used are the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and the Bartlett test of sphericity.

KMO – measures of sampling adequacy are useful for determining the appropriateness of running a factor analysis (Hutcheson and Sofronh/u 1999). They are based on an index which compares correlation and partial correlation coefficients. Hence, KMO statistics take values between 0 and 1. High values are those which approach 1.

According to Hair et al. (1995) the measure of sampling adequacy can be interpreted with the following guidelines: (0.90) or above, marvellous (wonderful); (0.80) or above, meritorious (praiseworthy); (0.70) or above, middling; (0.60) or above, mediocre; (0.50) or above, miserable; and below (0.50), unacceptable.

The Bartlett test of sphericity tests the presence of correlation among the variables. It provides the statistical probability that the correlation matrix has significant correlations among at least some of the variables (Hair et al., 1995)

5.7.1.2 - Principal Component Analysis

In spite of the fact that there are several methods that can be used to extract factors from a data set, the common factor analysis and the principal component analysis are the two main types of factor analysis used for factor extraction.

Principal component analysis is the method of factor analysis used in the present research because it is perhaps the most popular and implemented in a number of statistics software packages (Hutcheson and Sofroniou 1999). While the objective of the principal component analysis is to select the components which explain as much of the variance in the sample as possible, the objectives of factor analysis is to explain the inter-relationships among the original variables (Hutcheson and Sofroniou 1999).

Principal component analysis is one of the most frequently used in social science (Bryman and Cramer 1994). Furthermore, it has been utilised in previous studies in the interpretation of variables similar to that used in the present research (Commitment to Exporting) (Bauerschmidt et al 1985; Madsen 1989; Sharkey et al 1989 and Bourantas and Halikias 1991). In addition, and according to Hair et al (1992) it is a well-established technique and a popular multivariate statistical method.

According to Churchill (1991) when performing principal component analysis, the researcher must determine how many factors should be retained in the solution. However, it is difficult to know exactly how many must be retained because there is not an exact quantitative method that can answer this problem. In spite of this, there are a number of criteria which indicate the number of factors to be extracted. The most commonly used technique to define the number of factors to be retained is the Latent Root Criteria. It states that only the factors having latent roots or eigenvalues greater than 1 are considered to be significant. Only these will be retained (Hair et al., 1995; and Bryman and Cramer, 1999).

After extraction, rotation is used to improve the interpretability and scientific utility of the solution. Running the rotation procedure, the factor structures usually become crystallised (Thurstone, 1947). A number of methods have been developed to rotate the factors. The two most commonly used are the orthogonal rotation and oblique rotation (Bryman and Cramer 1999).

The decision was made to use orthogonal rotation because it offers easy solutions of interpreting, describing and reporting results. Among orthogonal rotation, quartimax and equamax are the three orthogonal techniques. Varimax is the most commonly used of all the rotations available (Tabachnik and Fidell 1996). The goal of varimax rotation is to minimise the complexity of factors - maximise the variance of factor loadings by making high loadings higher and low ones lower for each factor (Tabachnick and Fidell, 1996). In other words, and according to Kin and Muller (1994), this means minimising the number of variables which have high loadings to enhance the interpretability of the factors, and minimising the number of factors which provides simpler interpretation of the variables.

5.7.1.3 - Multiple Regression Analysis

Multiple regression analysis is a dependence technique that aims to evaluate the total portion of variance in a dependent (criterion) variable which can be explained by a set of independent (prediction) variables (Tabachnick and Fidell, 1966; Hair et al; 1988, Sapsford and Jupp, 1966).

This type of dependence multivariate statistical analysis produces regression line; it is a linear combination of independent variables that best relates to the dependent variable (Gilstein and Leamer, 1983; Fleming and Nelles, 1994).

Regression is used to predict a score on one variable from a score on the other.

The estimated multiple regression equation is expressed below as an equation, in the following manner:

$$Y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 \dots + b_n x_n$$

Where:

Y = estimated value of the dependent variable

a = value of the constant or intercept derived from the analysis

b = estimated regression co-efficient associated with the independent variables

x = the independent variables that influence the dependent variables, and,

e = error term.

The above numeric values of (b's) are the regression coefficients. Each of these regression coefficients estimates the amount of change that occurs in the dependent variable for each unit of change in the independent variable. As well as making predictions, we would like to know which independent variable is the most helpful in predicting the dependent variable. For this, we have to standardize the units of measurement involved, because different units of measurement cannot be directly compared. This process of standardization is called standardized regression co-efficient or beta weight. Essentially, it tells us by how many standard deviation units of the dependent variables will change for a one standard deviation change in the independent variable. Hence, the new co-efficient, resulting from standardized data (beta co-efficient) eliminates the problem of dealing with different units of measurement and reflects the relative impact on the criterion variable of a change in one standard deviation in either variables. Three considerations must be taken into account when using beta coefficients. Firstly, they should be used as a guide to the

relative importance of individual independent variables merely when co-linearity is minimal. Secondly, the beta values can be analysed merely in the context of the other variables in the equation. Finally, the levels are affected by the beta values.

In conclusion, we must use the beta merely as a guide to the relative importance of the predictor variables included in the equation.

It is a direct generalisation of the simple correlation coefficient r to the case of several independent variables (Kleinbaun et al., 1998).

The multiple coefficient of determination (R_2) can calculate the collective effect of all the independent variables on the dependent variables. The multiple coefficient of determination (R_2) is defined as:

$$R_2 = 1 - \frac{SSE}{SSYY} \quad 0 < R_2 < 1$$

Where $SSE = E(y_i - \hat{y}_i)^2$, $SSyy = E(y_i - \bar{y})^2$ and \hat{y}_i is the predictable value of y_i for the multiple regression model.

The value of R_2 changes between 0 and 1, with a higher value representing bigger explanatory power of the regression equation (Mosteller and Tukey, 1977).

The adjusted R_2 provides us with a more conservative estimate than the ordinary R_2 . The adjusted R_2 takes into account not only the number of participants but also the number of independent variables involved.

The adjusted R_2 statistic is an adjustment of R_2 that allows comparisons to be made between models with different numbers of predictor variables. While the R_2 varies only between 0 and 1, the adjusted R_2 can decrease below 0.

A useful statistical test that is connected to R_2 is the F-ratio. This ratio is based on multiple correlations (R) for the analysis.

5.8 – Methodology

5.8.1 - Discuss Regression Modelling

Overview - the specification of a model is the first step in conducting a regression-based study. In practical terms, it is the most challenging step. The big question is:

which variables should belong in the model and which should be excluded? In addition, which mathematical structure of the model should be adopted?. Only good management judgement can guarantee a choice of a good model.

During the modelling process the following steps should be borne in mind.

5.8.1.1 - Variable selection - the process of a selection of variables was exhaustive. All the variables with impact on the propensity to export were considered.

5.8.2 - Stepwise Multiple Regression - It is a semi-automated process of building a model by successively adding (forward) or removing (backward) variables based on the T Statistics of their estimated coefficients. However, using the stepwise regression option in Statgraphics puts more power and information at your fingertips than does the ordinary multiple regression. Furthermore, it is useful for sifting through large numbers of potential

independent variables and/or fine- tuning a model by putting variables in.

The backward selection model starts with all candidate variables in the model. At each step the variable that is the least significant was removed. This process continues until no nonsignificant ($p\text{-value} > 0.05$) variables remain.

5.8.3 - Dummy Variables

A dummy variable also known as an indicator or bound variable is a numerical variable used in regression analysis to represent subgroups of the sample under study. In research designs, it is often used to differentiate different treatment groups. In our study two dummy variables were considered. The dummy variable “0” refers to the United Kingdom and the dummy variable “1” refers to Portugal.

They are useful because they enable us to use a single regression equation to represent multiple groups. Hence, we do not need to write out separate equations models for each subgroup.

In addition, they act like “switches” that turn various parameters on and off in an equation. Finally, even though it is a nominal-level variable you can treat it statistically like an internal-level variable.

5.9 - Summary

Having been influenced by the research methodology literature, the investigator’s personal views and overall objective of the enquiry decisions have been made in order to choose the best research approaches and most appropriate techniques for the enquiry. Hence, in this chapter the most significant of theoretical, methodological principles were reviewed.

Furthermore, the reasons why we chose this specific methodology were referred to. In our case, the methodology that was the most suitable was quantitative method; followed by a

mailed survey questionnaire. The study was exploratory and descriptive using primary and secondary data simultaneously. Finally, the methodology followed in the regression modelling was introduced.

In conclusion, it was our intention to carry out a piece of research governed by the maximum realism paradigm.

The next chapter presents the descriptive findings of the research.

CHAPTER SIX – Descriptive Findings of Firms and Decision Makers Characteristics:

6.1 – Introduction

In the former chapter issues connected to theoretical research methodologies used in this work were discussed. In this chapter, firstly the descriptive statistics obtained from the empirical study are presented. For each variable the data for Portugal and the United Kingdom is presented separately. After the introduction of the data for each variable and respective analysis, there is a summary of the data together.

The results will be introduced in the form of tables, showing percentage frequencies, measures of central tendency as well as dispersion. They are presented in the following order: firm characteristics; products; production methods; export performance; decision-maker/objective characteristics and subjective characteristics.

The analysis is in as much depth as possible. Portuguese data is presented first followed by UK data and finally both are compared. In each case the most relevant information is emphasised.

Then, there is a table showing the most significant differences between Portugal and the United Kingdom and respective analyses. Next, this analysis is carried out with T.test.

Finally, there is a summary as well as conclusions on the theme discussed in this chapter.

6.2 – Firm and Decision-Makers' Characteristics

6.2.1 – Firms' Characteristics

6.2.1.1 – Age of Business

Table 6.1 – Age of Business

| Age (years) | Portugal | | United. Kingdom | |
|-------------------------|--------------|------------|-----------------|------------|
| | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| [0-6] years | 4 | 2.41 | 3 | 1.82 |
| [7-14] years | 40 | 24.10 | 16 | 9.70 |
| [15-25] years | 67 | 40.36 | 39 | 23.64 |
| [26-50] years | 34 | 20.48 | 47 | 28.48 |
| [51-100] years | 19 | 11.45 | 38 | 23.03 |
| > 100 years | 2 | 1.20 | 22 | 13.33 |
| Total | 166 | 100.00 | 165 | 100 |
| | Mean = 26.25 | SD = 20.30 | Mean = 55.04 | SD = 51.18 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

Analysing Table 6.1, we can conclude that the biggest group of **Portuguese** firms is composed of 67 (40.36%) firms. This group of firms has been operating for between 15 and 25 years. Secondly, comes the group of 40 firms and thirdly, a group of 34 firms. These values correspond to percentages of 24.10% and 20.48 % respectively. The remaining groups are insignificant. There are only 4 firms that have been operating for less than 6 years and only 2 for more than 100 years. These values overall correspond to a mean company age of 26.25 years.

According to the statistics the most numerous group is formed of 47 firms. This group has been operating for between 26 and 50 years. There are two groups very similar in dimensions, composed of 39 and 38 firms.

The first has been operating for between 15 and 25 years and the second for 51-100 years.

The mean of the United Kingdom firms is 55.04 . The number of firms with less than 6 years experience is very small, only 3 were operating for less than this.

The number of firms working for more than 100 years is 22 (13.33%).

The values referred to above are a group composed of 16 firms (9.70%) operating for between 7 and 14 years.

United Kingdom firms have been operating for more years than Portuguese ones. In mean terms the latter has been operating for 26.25 years, while the former for 55.04 years, i. e. twice as long. In the United Kingdom there are a significant number of firms (22) with more than 100 years experience while in Portugal there are only 2 that have existed for more than 100 years. United Kingdom firms correspond to a mean of 13.33, while the Portuguese mean is 1.20.

To summarise - the most numerous group in Portugal has been working for between 15 and 25 years, while in the U K it was between 26 and 50 years.

In conclusion the United Kingdom firms are older than the Portuguese ones.

6.2.1.2 – Number of Years Exporting

The largest **Portuguese** group is composed of 76 firms exporting for between 15 and 25 years (46.1%).

Next comes the group composed of 50 firms, exporting for between 7 and 14 years.

In spite of the fact that 2 firms have been working for more than 100 years not one of them were exporting for more than a hundred years. This means that these two firms began to export some years later than they were created. In mean terms they were exporting for 19 years.

Table 6.2 Number of Years Exporting

| | Portugal | | United Kingdom | |
|-------------------------|--------------|------------|----------------|------------|
| Number Years Exporting | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| [0-6] years | 14 | 8.5 | 10 | 6.13 |
| [7-14] “ | 50 | 30.3 | 36 | 22.09 |
| [15-25] “ | 76 | 46.1 | 52 | 31.90 |
| [26-50] “ | 19 | 11.5 | 47 | 28.83 |
| [51-100] “ | 6 | 3.6 | 15 | 9.20 |
| > 100 “ | - | - | 3 | 1.84 |
| | | | | |
| Total | 165 | 100 | 163 | 100 |
| | | | | |
| | Mean = 18.71 | SD = 12.51 | Mean = 28.56 | SD = 24.35 |
| | | | | |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

This question was asked in order to understand if the older firms have more propensities to export. The descriptive findings relative to number of years exporting can be found in table 6.2 above.

The largest group has been exporting between 15-25 years (46.1%). These values correspond to the percentage of 46.1%. After follows the group exporting between 7-14 years (50%).

United Kingdom - Fifty two firms have exported between 15-25 years: the most numerous group of exporters (31.90%). In second place are 29% of firms that have exported between 26-50 years. And next, a group formed by 36 firms (22.%) that have exported between 7-14 years. The mean: 28.56 years.

In conclusion we can say that United Kingdom firms have exported for more years than Portuguese ones; 19 years in Portugal versus 29 years in the United Kingdom. This verifies the tendency indicated in Table 6.1- age of company.

Fifty-two firms had been exporting between 15 and 25 years. This is the most numerous group of exporters. This value corresponds to a percentage of 31.90%. Secondly, are 47 firms that were exporting between 26 and 50 years. Next, a group composed of 36 firms (22.09%) that had been exporting between 7 and 14 years. The mean is 28.56%.

We can say that United Kingdom firms have been exporting for more years than Portuguese ones; in mean terms, the Portuguese for around 19 years, while the United Kingdom for 29 years. The tendency verified here is similar to that verified by overall age.

6.2.1.3 - Number of Countries Served

Table 6.3 Number of Countries Served

| | Portugal | | United Kingdom | |
|-------------------------|-------------|------------|----------------|------------|
| Number Countries Export | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| [0-5] countries | 76 | 47.5 | 47 | 29.56 |
| [6-10] " | 51 | 31.88 | 43 | 27.04 |
| [11-18] " | 21 | 13.13 | 24 | 15.09 |
| > 18 " | 12 | 7.5 | 45 | 28.30 |
| | | | | |
| Total | 160 | 100 | 159 | 100.00 |
| | | | | |
| | Mean = 7.90 | SD = 6.85 | Mean = 14.60 | SD = 15.64 |
| | | | | |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

According to the statistics the preference of **Portuguese** firms is to export to a small number of countries. Hence, 76 firms export to 5 countries, 51 firms export to between 6 and 10 countries, 21 firms export to between 11 and 18 countries and only 12 firms export to more than 18 countries. The tendency is clear, when the number of countries to which the firms export increases, the number of firms to export to these countries decreases. The mean: 7.90.

United Kingdom firms behave differently from those in Portugal. Hence, the number of firms that export to 5 countries is similar to the number of firms that export to between 6, 10 and 18 countries. Their frequency is 47.43 and 45 respectively. The only exception being the number of firms that export to between 11 and 18 countries, which is relatively smaller compared to the other three groups (24).

The behaviour of Portuguese and United Kingdom firms is not similar. The preference of Portuguese firms is to export to a small number of countries. In United Kingdom firms, the number of firms exporting to a few countries is relatively the same as those who export to a vast number of countries, the exception being those firms that export to between 11 and 18 countries. The remaining present values are very similar. Talking in percentage terms their values vary from 27.04 to 29.56.

In conclusion, we can say that Portuguese firms prefer to export to a very small number of countries, while United Kingdom firms vary according to the number of countries they export to.

6.2.1.4 - Measuring Number of Full Time (or full time equivalent) Employees Employed

The number of employees in the companies in question is divided into three groups. The first group has between 20 and 49 employees, the second 50 to 99 employees and the third between 100 and 250 employees. The number of firms with less than 20 employees was excluded due to the small number. They are family businesses.

Table 6.4 - Number of Full Time (or full time equivalent) Employees Employed

| | Portugal | | United Kingdom | |
|-------------------------|--------------|------------|----------------|------------|
| | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| [20 – 49] employees | 54 | 32.73 | 91 | 55.15 |
| [50 – 99] “ | 56 | 33.94 | 32 | 19.39 |
| [100 – 250] “ | 55 | 33.33 | 42 | 25.45 |
| Total | 165 | 100 | 165 | 100 |
| | | | | |
| | Mean = 93.04 | SD = 70.04 | Mean = 70.08 | SD = 64.04 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

Those with more than 250 employees were also excluded because they were considered to be big firms and with characteristics different from small and medium firms. In the case of Portugal, the percentage of employees in each of the three groups is considered to be very similar. They are 32.73%, 33.94% and 33.33% for the first, second and third respectively. In mean terms, 93 employees work in each firm.

The tendency of **United Kingdom** firms is to employ a very small number of employees. More than half (55.15%) work in firms with less than 50 employees. Around 19% work in firms with a total number of employees between 50 and 99. Finally 25% (42) of the firms employ between 100 and 250 employees. In mean terms, each one employs 70 employees.

In mean terms each **Portuguese** firm employs more employees than U K firms. The number of firms in each group is more or less the same number (around 33%) in Portugal. In the United Kingdom, the majority of employees work in small firms.

6.2.1.5 – Employees Directly Involved in Exporting

Table 6.5 Number of Employees Involved in Exporting

| | Portugal | | United Kingdom | |
|-------------------------|-----------|------------|----------------|------------|
| | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| [0 - 5] employees | 106 | 65.43 | 105 | 70.95 |
| [6 - 10] “ | 20 | 12.35 | 19 | 12.84 |
| [11 - 20] “ | 7 | 4.32 | 9 | 6.08 |
| > 20 “ | 29 | 17.90 | 15 | 10.14 |
| Total | 162 | 100 | 148 | 100 |
| | Mean = 16 | SD = 31.99 | Mean = 8.79 | SD = 16.63 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

This question deserves special consideration. A lot of respondents did not understand the question, in spite of all the tests done before, as explained in Chapter 5 .Some of them answered relatively to how many employees are only directly involved in the export department, and others repeated the same number answered in Question 4. It is therefore

difficult to draw a valid conclusion from this data. The numbers are shown in Table 6.5 and can be analysed with this limitation.

6.2.1.6 – Products

Interest in the quality of products, as well as the ability of the firms to develop, improve and design new products, led the author to ask the question following. Decision-makers were asked: How decision-makers would describe their ability to produce and develop new products and their respective prices, relative to their best competitors. This question was put to respondents in the form of five dimensions. They are: “product quality”, “ability to develop new products”, “ability to improve products”, “design of products” and “prices”.

Table 6.6 highlights the distribution of responses by Portuguese and UK decision-makers.

Portuguese product quality was considered to be good by the respondents. It must be emphasised that none of the interviewees considered the products very poor or poor. Only 10% of them considered their quality average. Almost 90% answered that they had good or a very good quality products. The mean was: 4.08, an excellent performance.

In relation to “ability to develop new products” the answers were not as positive as the former, but it can also be considered excellent. The mean was 3.75. Their “ability to improve and design products” continued to be very good. Their answers were 74% and 60.25% respectively. These values corresponded to the mean of 3.88 for the first and 3.65 for the latter.

Finally, 66.5% of the interviewees considered the prices of their products good compared with their competitors.

In conclusion, it can be said that in all of these five dimensions the Portuguese considered themselves to be at the same level as their best competitors. The emphasis is on the product quality and ability to improve products, in which they had an excellent performance.

However, the lowest performance goes to “design of products”.

Table 6.6 Product Characteristics

| | Portugal | | | | | | | | United Kingdom | | | | | | | |
|-------------------------------------|--------------------|------|-------|-------|-----------|-------------------|------|-----|----------------------|------|-------|-------|-----------|-------------------|------|-----|
| Dev. prod- Imp. prod / prices | Response Scale (%) | | | | | Scale Descriptive | | | Response Scale (%) | | | | | Scale Descriptive | | |
| | | | | | | | | | | | | | | | | |
| | Very Poor | Poor | Aver | Good | Very good | M | SD | N | Very poor | Poor | Aver. | Good | Very good | Mean | SD | N |
| P. quality | | | 10.24 | 71.08 | 18.67 | 4.08 | 0.53 | 166 | | 0.61 | 4.88 | 37.20 | 57.32 | 4.51 | 0.62 | 164 |
| A. dev. n. prod. | 1.23 | 4.29 | 28.22 | 50.31 | 15.95 | 3.75 | 0.82 | 163 | 0.62 | 3.70 | 13.58 | 45.68 | 36.42 | 4.14 | 0.83 | 162 |
| A. imp. prod. | | 0.61 | 23.03 | 63.64 | 12.73 | 3.88 | 0.61 | 165 | | 2.48 | 11.18 | 56.52 | 29.81 | 4.14 | 0.70 | 161 |
| Des . products | 0.62 | 6.21 | 32.92 | 48.45 | 11.80 | 3.65 | 0.79 | 161 | | 1.23 | 19.14 | 36.42 | 43.21 | 4.22 | 0.79 | 162 |
| Price | | 3.73 | 29.81 | 57.76 | 8.70 | 3.71 | 0.67 | 161 | | 4.27 | 28.05 | 44.51 | 23.17 | 3.87 | 0.82 | 164 |

Source: Elaborated by the author

United Kingdom product quality was considered by respondents to be high. Hence, 37.20% considered they had a good product and 57.32% a very good product. This excellent performance corresponds to the mean of 4.51. Only 4.9% stated their products were average and 0.60% poor quality.

The ability to develop new products and to improve products appeared in third position. Both have also a very good performance, with a mean of 4.14 for both.

After product quality, as referred to before, the statistics show that they are good in design of new products. Of the five areas, "design of products" is their second best performance with a mean of 4.22.

And finally "price", the dimension in which their performance was worst had their worst performance, in spite of the respondents referring to it positively (mean = 3.87). Connected to this the fact is the pound being very strong. A lot of interviewees referred to it in their comments in the open question. It can be said that in four of the five fields their self-evaluation of their firm's performance is excellent. As regards the other dimension (price) the reason for a lower performance was referred to before.

Both groups affirmed that their firms have no problem at all competing with their best suppliers/producers.

In spite of the performance of the two groups being good, the performance of the UK companies is better. Comparing the means of each variable, in the U K they are always bigger. This means that the United Kingdom is more prepared to compete with their competitors than Portugal. Except for the dimension of price, the U K decision-makers are more optimistic than the Portuguese ones. Their means are 3.87 and 3.71 respectively.

6.2.1.7 - Strength Patent/Licence/Design / Copyright in your Company

Table 6.7 - Strength Patent /Licence/Design/Copyright in Your Company

| | Portugal | | United Kingdom | |
|---|------------------|-----------------|------------------|-----------------|
| Strength Patent / Lic. / Design / Copyright | Frequency (N) | Percentage % | Frequency (N) | Percentage % |
| Very Poor | - | - | 3 | 3.95 |
| Poor | 6 | 12 | 12 | 15.79 |
| Average | 20 | 40 | 15 | 19.74 |
| Good | 16 | 32 | 33 | 43.42 |
| Very Good | 8 | 16 | 13 | 17.11 |
| Total | 50 | 100 | 76 | 100 |
| | Mean = 3.52 | SD = 0.91 | Mean = 3.54 | SD = 1.08 |
| SD = Standard Deviation. | | | | |

Source: Elaborated by the author

The aim of this question was to try to find out if firms have protected trademarks for their products.

Table 6.7 illustrates the distribution of responses scored for the measures of Strength Patent /Licence/Design/Copyright in the company surveyed.

The number of respondents answering this question was much reduced. The principal reason for a very low percentage of answers is that it is only applicable to a very small number of firms.

In the Portuguese case it was only applicable in 50 cases while in the case of the U K it was applicable in 76 cases.

Twenty respondents considered themselves to have an average strength of patent / licence/ design / copyright (40%), 16 answered good (32%) and 8 very good (16%). However, 6 considered their strength of patent / licence/ design / copyright poor (12%).

Their mean is 3.52, meaning that overall they considered that they had a good strength of patent / licence/ design / copyright.

In the UK only 4% considered themselves to have a poor strength patent/licence/design/copyright.

6.2.1.8- Products Developed by Firms in Last Five Years

Table 6.8 - Describing Products Developed by Firms in Last Five Years

| | Portugal | | United Kingdom | |
|------------------------|--------------|-------------|----------------|-------------|
| New Products Developed | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| [0-10] New Prod | 53 | 50 | 90 | 64.75 |
| [11-30] “ | 25 | 23.58 | 30 | 21.58 |
| [31- 100] “ | 11 | 10.38 | 11 | 7.91 |
| [101-500] “ | 13 | 12.26 | 3 | 2.16 |
| > 500 “ | 4 | 3.77 | 5 | 3.60 |
| Total | 106 | 100 | 139 | 100.00 |
| SD= Standard Deviation | Mean = 99.11 | SD = 296.08 | Mean = 113.59 | SD = 857.74 |

Source: Elaborated by the author

The distribution of responses from these descriptive findings can be found in table 6.8

50 % of Portuguese firms declare they have produced less than 10 new products in the last five years. For the remainder, 23.58% created between 11-30 new products, 10.38% declared between 31-100 and 12.26% produced between 101-500 new ones.

Finally, more than 500 new products were produced by only 4 firms which correspond to 3.77%. In average term 99 new products were created.

Of the United Kingdom respondents, 64.75% created less than 10 new products, 21.58%, 7.91%, 2.16%, 3.60 % produced less than 11-30, 31-100, 101-500. and >500 new products respectively. The mean: 113.59.

In conclusion, the behaviour of the two countries relative to the creation of new products was not too different. Even so, the United Kingdom was relatively more creative (Portuguese mean = 99.11, while U K = 113.59).

6.2.1.9 - Existence of Quality Control Department (QCD)

Table 6.9 – Existence of Quality Control Department (QCD)

| | Portugal | | United Kingdom | |
|-------------------------|--------------|------------|----------------|------------|
| Existence Cont. Depart. | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| No | 38 | 22.75 | 36 | 21.82 |
| Yes | 129 | 77.25 | 129 | 78.18 |
| Total | 167 | 100 | 165 | 100 |
| | Media = 3.75 | SD = .72 | Media = 4.17 | SD = .68 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

In Portugal the number of firms that have quality control departments is greater than those that do not 77.25% have QCD while 22.75% do not have.

In conclusion two of out of three firms have such a department.

The United Kingdom presented a very similar pattern to Portugal. The difference in percentage values is around 1%, according to statistics.

In conclusion, the similarities between QCD in both countries are greater than the differences.

6.2.1.10 - How Portuguese and UK Decision-Makers Rate Their Quality Control Department.

Table 6.10 - Quality Control Department (QCD) and Rating

| | Portugal | | United Kingdom | |
|-------------------------|--------------|------------|----------------|------------|
| Quality Cont. Depart. | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| Poor | 4 | 3.08 | 1 | 0.78 |
| Average | 41 | 31.54 | 17 | 13.28 |
| Good | 68 | 52.31 | 69 | 53.91 |
| Very Good | 17 | 13.08 | 41 | 32.03 |
| Total | 130 | 100 | 128 | 100 |
| | Media = 3.75 | SD = 0.72 | Media = 4.17 | SD = 0.68 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

Table 6.10 above illustrates the responses obtained from this descriptive research finding.

The majority of Portuguese firms considered they had a good quality control department (52.31%) while only 3.08% considered they had a poor one.

One out of three respondents (31.54%) considered their QCD average, while only 13.08% considered their QCD very good. In conclusion half of firms considered they had a good Quality Control Department and one out of three average. The mean: 3.75 .

Of United Kingdom respondents, 53.91 considered they had a good QCD, 13.28% good and 78% poor. A very good rating was achieved by 32.03%.

Half of UK respondents reported that they had a good QCD and around one out of three very good QCD.

In conclusion, decision-makers of both countries considered they had very good QCDs. However, 32.03% UK considered they had very good departments while only 13.08% Portuguese said this. There are other differences, but not as significant as the former. Hence, 3.08% Portuguese affirmed they had a poor QCD, while only 0.78% U K respondents noted their QC Ds as average.

6.2.1.11 - Production Methods

Table 6:11 - illustrates the distribution of responses scored for production methods.

The production method used by 52% of **Portuguese** decision-makers is “equally split between labour intensive and automated”. Secondly are “labour intensive “.This is the method utilised by 27.27% of interviewees, and in third , fourth and fifth place, with very low representation, are “ automated”, “high labour intensive” and finally “high automated”.

Table 6.11 - Production Methods

| | Portugal | | United Kingdom | |
|-----------------------------|-------------|------------|----------------|------------|
| Describe production methods | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| High lab Int. | 13 | 7.88 | 42 | 26.09 |
| Labour Intensive | 45 | 27.27 | 53 | 32.92 |
| Eq split betw lab int / aut | 85 | 51.52 | 49 | 30.43 |
| Automated | 16 | 9.70 | 13 | 8.07 |
| High automated | 6 | 3.64 | 4 | 2.48 |
| Total | 165 | 100 | 161 | 100 |
| | Mean = 2.74 | SD = 0.88 | Media = 2.28 | SD = 1.02 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

The mean is 2.74, which implies that “automation” is not the first priority of Portuguese decision-makers.

In the **UK** the most production method used is “labour intensive” (32.92%). In second place are “equally split between labours intensive and automated” with 30.43%. In third place is “high labour intensive” (26.09%) and finally, without any expression, is “high automated” with 4 answers (2.48%).

The method of production most utilised by Portuguese companies is “equally split between labour intensive and automated” and in second place is “labour intensive” with a level of utilisation markedly half of the first. However, in the UK the first three methods “ high labour intensive “ “ labour intensive “ and “ equally split between labour intensive and automated “ show very similar values.

6.2.1.12 - New Production Methods

The aim of this question was try to understand if new production methods have been implemented in the firms in the last three years. The question was asked using six options: “we have used new raw materials “, “we have used new informatic equipment“, “we have implemented robotisation“, “we have implemented applications laser“ and “other methods“.

Table 6.12 highlights the distribution of responses from Portuguese and UK decision-makers.

Asked if new raw materials had been implemented by **Portuguese** firms in the last three years, almost 90% respondents answered affirmatively. However, only 5.5% had not used new raw materials in the last three years. This indicates a mean of 4.09.

In “new informatics equipment” real revolution is indicated: around 95% of respondents answered to have implemented new informatic equipment, which in mean terms is 4.23. It was the highest scoring of the five areas considered.

However, the same revolution did not happen with the implementation of robots. Only 21% had implemented robots while 61% of respondents had not. This factor exhibited mean scores below the mid-point of 3, achieving only 2.37.

Automation process production was implemented by a large number of companies. Around 50% answering had implemented these, while 27.18 answered that they had not. In mean terms this represents 3.3.

Application laser was only implemented by 14.86% of the firms while 71.63% answered they had not implemented this new method of production. 13.51% had no opinion. In mean terms this is 2, increasing a very low performance in the implementation of this method of production by firms.

Other methods were not referred to by any of the decision- makers.

In conclusion, it can be said that new raw material and new informatic equipment were implemented by the majority of the firms. The applications of robots and application lasers were much lower. This means that in terms of new production equipment very little has been done.

The statistics show that 77.32% of **UK** decision-makers affirmed that they had used new raw materials while 12.38% answered not to have used these in the last three years. The mean is 3.78, which is the biggest for these six dimensions.

The dimension "new informatic equipment" was affirmed by 55.91% while 24.73% affirmed not to have used any. In spite of the percentage of users being lower than the even thought former. It continues to be high. Its mean is 3.35. According to the statistics, 12.5% respondents answered they had implemented robots, while 76.14% affirmed not to have used this new production method in the last three years. With no opinion there are 11.36%. The mean is 1.89. This dimension exhibited very low mean scores, below the mid-point of 3.

The next two dimensions, "automation process production" and "implementation application laser" were scarcely implemented. Only 36.67% for the first and 2.33% for the second dimension answered that they had implemented these features, while 50% and 77.09% respectively answered they had not implemented new methods in the last three years. The means are 2.68 and 1.69 respectively.

And finally, none referred to "utilised other methods" as new methods of production.

To summarise, from the six dimensions, only the first two "new raw materials" and "new informatic equipment", were largely used as new production methods in the previous three years. The next three were implemented by a small number of firms, and the last one was not implemented by anyone.

Comparing the answers from the two countries it is easy to conclude that in all the dimensions, the values of the Portuguese means are superior to UK means.

Table 6.12 - New Production Methods

| | Portugal | | | | | | | | United Kingdom | | | | | | | |
|--------------------|--------------------|--------|--------------------|-------|------------|-------------------|------|-----|----------------------|--------|--------------------|------|--------------|-------------------|------|----|
| Production Methods | Response Scale (%) | | | | | Scale Descriptive | | | Response Scale (%) | | | | | Scale Descriptive | | |
| | Strong Disag. | Disag. | N. Disg. N. Ag. | Agree | Str. Agree | M | SD | N | St. Disag. | Disag. | N. Disg. N. Ag. | Ag. | Strong Agree | Mean | SD | N |
| N. Raw Mat. | 1.90 | 3.81 | 4.76 | 62.86 | 26.67 | 4.09 | 0.80 | 105 | 6.19 | 6.19 | 10.31 | 57.7 | 19.59 | 3.78 | 1.03 | 97 |
| N. Inf. Equip. | 1.94 | 0.97 | 1.94 | 62.14 | 33.01 | 4.23 | 0.72 | 103 | 11.83 | 12.90 | 19.35 | 39.7 | 16.13 | 3.35 | 1.24 | 93 |
| Imp. Robot. | 30.86 | 29.63 | 18.52 | 13.58 | 7.41 | 2.37 | 1.26 | 81 | 50.00 | 26.14 | 11.36 | 10.2 | 2.27 | 1.89 | 1.11 | 88 |
| I. a. p. prod. | 8.70 | 18.48 | 22.83 | 33.70 | 16.30 | 3.30 | 1.20 | 92 | 27.78 | 22.22 | 13.33 | 27.7 | 8.89 | 2.68 | 1.37 | 90 |
| Imp. Ap. laser | 45.95 | 25.68 | 13.51 | 12.16 | 2.70 | 2.00 | 1.16 | 74 | 55.81 | 22.09 | 19.77 | 2.33 | | 1.69 | 0.87 | 86 |
| O.m. (specific) | | | | | | | | 0 | | | | | | | 0 | |

Source: Elaborated by the author

Hence, $4.09 > 3.78$; $4.23 > 3.35$; $2.37 > 1.89$; $3.30 > 2.68$; $2.00 > 1.69$. This means that the Portuguese answer more positively than the UK decision-makers for all these dimensions. Secondly, of the six dimensions, only two Portuguese mean are lower at 3. For example the implementation of robots (2.37) and the implementation of application laser (2.00), while in the case of the UK there are three means inferior to three. These are “implementation of robots”, “implementation automatic process production” and “implementation application laser“, whose means are 1.89; 2.68 and 1.69 respectively. Thirdly, the most evident case is with “implementation automatic process production“ whose Portuguese mean is 3.30 while the UK mean for this dimension is 2.68. Finally, in the case of the sixth dimension, both countries answered they did not use other methods.

6.2.1.13 - Exports as Percentage of Turnover (Performance)

Table 6.13 - Exports as Percentage of Turnover (Performance)

| | Portugal | | United Kingdom | |
|-------------------------|--------------|------------|----------------|------------|
| Exports as % Turnover | Frequency | Percent | Frequency | Percent |
| | N | % | N | % |
| <11 % | 15 | 9.04 | 47 | 28.66 |
| [11-20] % | 9 | 5.42 | 32 | 19.51 |
| [21-30] % | 7 | 4.22 | 21 | 12.80 |
| [31-40] % | 14 | 8.43 | 9 | 5.49 |
| [41-50] % | 11 | 6.63 | 13 | 7.93 |
| [51-60] % | 10 | 6.02 | 7 | 4.27 |
| [61-70] % | 12 | 7.23 | 10 | 6.10 |
| [71-80] % | 12 | 7.23 | 11 | 6.71 |
| [81-90] % | 23 | 13.86 | 7 | 4.27 |
| [91-100] % | 53 | 31.93 | 7 | 4.27 |
| Total | 166 | 100 | 164 | 100 |
| | Mean = 67.10 | SD = 31.62 | Mean = 33.75 | SD = 28.62 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

The descriptive findings of exports as a percentage of turnover can be observed in Table 6.13.

According to table 6.13 the majority of **Portuguese** firms export their products. The two biggest values are 13.86% and 31.93%. The first corresponds to a percentage of exportation between [81-90] percent, while the second correspond to a percentage of exportation between [91-100] percent. These two values correspond to almost half of the exportations. The mean is 67.10

The **United Kingdom** produces essentially for a national market. Hence, 28.66%, 19.51% and 12.80% firms export less than 11% between [11-20] % and [21-30] % respectively. These values add to 60.97%. This means that 60.97% of UK firms export less than 40%. The mean is 33.75%

The first and most important conclusion is that Portugal produces essentially for export while the UK produces essentially for the national market.

6.2.1.14 - Sales Performance

Table 6:14 – Sales Performance

| | Portugal | | United Kingdom | |
|-------------------------|-------------|------------|----------------|------------|
| | | | | |
| Total export Sales | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| Greatly Decreased | 9 | 5.39 | 15 | 9.09 |
| Decreased | 46 | 27.54 | 46 | 27.88 |
| Remained Unchanged | 35 | 20.96 | 46 | 27.88 |
| Increased | 62 | 37.13 | 45 | 27.27 |
| Greatly Increased | 15 | 8.98 | 13 | 7.88 |
| Total | 167 | 100 | 165 | 100 |
| | Mean = 3.17 | SD = 1.10 | Mean =2.97 | SD = 1.11 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

In the last five years, according to 37.13% of **Portuguese** decision-makers, export sales increased, 27.54% stated they had decreased and 20.96% affirmed they had remained unchanged. The mean is 3.17 which indicates that the changes are not very substantial.

A very similar opinion was expressed by **United Kingdom** decision-makers. Hence, 27.88% answered their sales decreased, exactly the same percentage stated their sales remained unchanged and 27.27% answered their sales increased. The mean is 2.97.

The Portuguese are a little more optimistic than the United Kingdom decision-makers relative to increase of sales in the last five years.

6.2.2 - Decision- Maker Characteristics / Objective Characteristics

The following tables illustrate the survey responses to the variables connected to the decision-maker. The first is about objective characteristics and the next relates to their subjective characteristics.

6.2.2.1- Age

Table: 6.15 – Age of Decision Makers

| | Portugal | | United Kingdom | |
|-----------------|--------------|------------|----------------|------------|
| Age | Frequency | Percentage | Frequency | Percentage |
| | N | % | N | % |
| < 36 years | 47 | 28.66 | 16 | 10.39 |
| [36-50] years | 77 | 46.95 | 57 | 37.01 |
| > 50 years | 40 | 24.39 | 81 | 52.60 |
| Total | 164 | 100.00 | 154 | 100 |
| | Mean = 42.23 | SD = 10.64 | Mean = 49.66 | SD = 9.54 |
| | | | | |

SD = Standard Deviation

Source: Elaborated by the author

The findings relative to the age of decision-makers can be found in table 6.15. The majority of **Portuguese** decision-makers are aged between 36 and 50 (46.95 %). In second place appear the group which are under 36 (28.66%). Only 24.39% of respondents were over 50. This means Portuguese decision-makers are in global terms relatively young. Their mean age is 42 years old.

In the **United Kingdom** half of decision-makers are over 50 (52.60%). In second place appeared the group made up of those aged between 36 and 50. Only 10.32% are under 36,

which is a relatively low number. The mean is 49.66. This means that the mean age of managers of United Kingdom decision-makers is 50 years.

In conclusion, Portuguese decision-makers are younger than UK decision-makers.

6.2.2.2 – Qualifications

Table: 6.16 – Qualifications of Decision Makers

| | Portugal | | United Kingdom | |
|----------------------------|----------------|-----------------|----------------|--------------|
| Qualifications | Frequency N | Percentage % | Frequency N | Percent % |
| No formal qualifications | 6 | 3.7 | 15 | 9.40 |
| O levels / GCSEs | 11 | 6.8 | 32 | 20.1 |
| A levels / ONC | 44 | 27.2 | 22 | 13.8 |
| HNC / HND (subject) | 19 | 11.7 | 14 | 8.8 |
| Degree | 71 | 43.8 | 42 | 26.4 |
| Postgraduate Qualification | 4 | 2.5 | 17 | 10.7 |
| Vocational Qualification | 7 | 4.3 | 17 | 10.7 |
| Total | 162 | 100.00 | 159 | 100 |
| | Mean = 4.10 | SD = 1.43 | Mean = 3.97 | SD = 1.86 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

According to statistics, 43.8% of **Portuguese** decision-makers are graduates. This is a high percentage. The second most quoted qualification was “A” levels, which was referred to by 27.2% and the other qualifications are insignificant, being below or very close to 10%. The mean is 4.10.

In the **United Kingdom** 26.4% of interviewees stated that they were graduates. They were followed by those with “O” levels at 20.1% and then by those with “A” levels at 13.8 %.

These are the three most representative qualifications of the United Kingdom decision-makers. The mean is 3.97.

Portugal has a higher number of graduate decision-makers. However, the number of postgraduate and vocational qualifications is very low in Portugal compared to the United Kingdom.

6.2.2.3 – Knowledge of Foreign Languages

According to statistics the majority of Portuguese decision-makers are quite good at foreign languages. Hence, 33.78% of them speak three languages, 36.49% speak two languages and 8.78% four languages. However, 20.95% only speak one other language and no one acknowledge knowing five languages. Everybody can speak at least one foreign language. The mean is 2.30.

In the United Kingdom, the majority does not speak any foreign language (42.65%). One other language is spoken by 36.76%, two languages by 15.44%, three languages by 2.94, four by 1.47% and five by .74%. The mean is 0.68.

English decision-makers are not strong in foreign languages.

In conclusion, the Portuguese decision-makers know how to speak more foreign languages than those in the UK.

Table 6: 17 – Knowledge Foreign Languages

| | Portugal | | United Kingdom | |
|-----------------------------|------------|------------|----------------|----------|
| Knowledge Foreign Languages | Frequency | Percentage | Frequency | Percent |
| | N | % | N | % |
| 0 | - | - | 58 | 42.65 |
| 1 | 31 | 20.95 | 50 | 36.76 |
| 2 | 54 | 36.49 | 21 | 15.44 |
| 3 | 50 | 33.78 | 4 | 2.94 |
| 4 | 13 | 8.78 | 2 | 1.47 |
| 5 | - | - | 1 | 0.74 |
| Total | 148 | 100 | 136 | 100 |
| | Mean =2.30 | SD = 0.90 | Mean = 0.86 | SD =0.97 |
| SD – Standard Deviation | | | | |

Source: Elaborated by the author

6.2.2.4 –Foreign Languages Capability

Foreign language capability was measured by assessing how many languages the decision-maker could speak, beside their native language.

The question was answered by respondents in the form of four dimensions. They are: French, Spanish, Germany and English.

Table 6.18 highlights the distribution of responses of knowledge of foreign languages by Portuguese and UK decision-makers.

Table: 6:18 Language Ability

| Portugal | | | | | | | | | United Kingdom | | | | | | | |
|-------------------|----------------|--------------|-------|--------------|-------------|-------------------|------|-----|----------------|--------------|-------|--------------|--------------|-------------------|------|-----|
| Foreign Languages | Response Scale | | | | | Scale Descriptive | | | Response Scale | | | | | Scale Descriptive | | |
| | Not compet. | Poor compet. | Fair | Good compet. | Ex. compet. | Mean | SD | N | Not compet. | Poor compet. | Fair | Good compet. | Exc. compet. | Mean | SD | N |
| | % | % | % | % | % | | | | % | % | % | % | % | | | |
| French | 5.88 | 20.92 | 35.29 | 30.07 | 7.84 | 3.13 | 1.02 | 153 | 23.62 | 35.43 | 31.50 | 6.30 | 3.15 | 2.30 | 1.00 | 127 |
| Spanish | 2.80 | 22.38 | 43.36 | 24.48 | 6.99 | 3.10 | 0.92 | 143 | 75.56 | 14.44 | 6.67 | | 3.33 | 1.41 | 0.89 | 90 |
| German | 68.60 | 19.83 | 4.96 | 2.48 | 4.13 | 1.54 | 1.00 | 121 | 55.45 | 21.78 | 11.88 | 7.92 | 2.97 | 1.81 | 1.11 | 101 |
| English/Portug. | 3.27 | 13.73 | 27.45 | 39.22 | 16.34 | 3.52 | 1.03 | 153 | 95.00 | 2.50 | 1.25 | 1.25 | | 1.09 | 0.43 | 80 |

Source: Elaborated by the author

Among the four languages, the most spoken by **Portuguese** respondents is English. About 55.56% affirmed they were competent in spoken English. In mean, 3.52 of them speak English. However, only 17% said that they did not have good competence.

French is the second most spoken language by the respondents. There are 37.91 % competent in speaking French there are 37.91% against 26.8% saying that they could not speak French. In mean term is spoken by 3.13.

The most fluently spoken language by **UK** decision-makers is French, 8.45% of them responded that they spoke French well; while 59.05% said that they were not competent. The mean is 2.30, a little below the mid-point.

The next three languages (Spanish, Germany and Portuguese) were known by few of them (3.33 %, 10.89 % and 1.25 % respectively) while the percentage of those not competent are 90%, 77.23% and 97.50% respectively. The mean is 2.30 (French), 1.41 (Spanish), 1.81 (Germany) and finally 1.09 for Portuguese.

In conclusion, in any of the four languages referred to, United Kingdom decision-makers exhibited an average knowledge whose scores can be equal or superior to the mid-point of 3.

Considering the group of these four languages the number of Portuguese speaking French is superior to the number of English speaking French. In mean terms the number of Portuguese who speak French is 3.13 against 2.30 of United Kingdom decision-makers who speak French.

The number of Portuguese decision-makers speaking Spanish is again high. The mean is 3.10, while it is 1.41 for United Kingdom decision-makers.

The number of UK respondents speaking German is superior to the number of Portuguese. The mean is 1.81 for UK and 1.54 for Portuguese.

Concerning the fourth language, the number of Portuguese speaking English is in mean terms 3.52, the highest of the four languages, while a mean of 1.09 of English respondents answered that they know how to speak Portuguese.

The two most known foreign languages by UK decision-makers are French and German while for Portuguese they are English and French.

In conclusion it can be said that the Portuguese have difficulties in only one language - German, whose mean is 1.54. However, the United Kingdom decision-makers answered to have difficulties in all the four languages. Their mean of understanding for these languages are 2.30, 1.41, 1.81, and 1.09 for French, Spanish, German and Portuguese respectively.

6.2.2.5 -Living In Foreign Countries

Of 163 Portuguese respondents, 75% of them answered that they had not lived abroad. Only 25 % stated they had lived overseas.

In the United Kingdom 70% interviewees answered they had lived abroad while 30% answered they had not lived overseas.

In conclusion, the percentage of United Kingdom decision-makers that have lived abroad is slightly higher. Their mean are 1.25 (Portuguese) and 1.30 (United Kingdom) respondents.

Table 6: 19 - Living In Foreign Countries

| | Portugal | | United Kingdom | |
|-------------------------|-------------|------------|----------------|-----------|
| Lived Abroad | Frequency | Percentage | Frequency | Percent |
| | N | % | N | % |
| No | 122 | 74.85 | 115 | 70.12 |
| Yes | 41 | 25.15 | 49 | 29.88 |
| Total | 163 | 100 | 164 | 100 |
| | Mean = 1.25 | SD = 0.44 | Mean = 1.30 | SD = 0.46 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the author

6.2.2.6 - Number of Years Living In Foreign Countries

Table 6: 20 – Number of Years Living In Foreign Countries

| | Portugal | | United Kingdom | |
|-------------------------|-------------|-----------|----------------|-----------|
| Years Living Overseas | Frequency | Percent | Frequency | Percent |
| | N | % | N | % |
| [1-3] years | 23 | 53.49 | 26 | 53.06 |
| [4-9] years | 8 | 18.60 | 12 | 24.49 |
| [10-18] years | 8 | 18.60 | 8 | 16.33 |
| > 18 years | 4 | 9.30 | 3 | 6.12 |
| Total | 43 | 100 | 49 | 100 |
| | Mean = 6.79 | SD = 8.14 | Mean = 5.92 | SD = 6.38 |
| SD = Standard Deviation | | | | |

Source: Elaborated by the Author

According to the statistics of those who had lived overseas, more than half of **Portuguese** respondents (53.49%) had lived there more than 3 years. For the remainder 18.60% had lived there between 4-9 years, and the same percentage responded that they had lived overseas between 10-18 years. Only 4 respondents answered more than 18 years, which represents 9.30%.

Of United Kingdom respondents who had lived overseas (53.06%) had lived no more than 3 years abroad, about 26% between 4-9 years, 16.33% between 10-18 years and finally only 3 responded that they had lived more than 3 years.

In conclusion, there are no significant differences between the number of years that the Portuguese and United Kingdom decision-makers lived abroad.

6.2.2.7 - Home Country

Table 6: 21 - Home Country

| | Portugal | | | United Kingdom | |
|-------------------------|------------|-------------------------|----------------|----------------|-------------------------|
| Born Country | Frequency | Percentage Born Country | | Frequency | Percentage Born Country |
| | N | % | | N | % |
| Portugal | 150 | 89.82 | United Kingdom | 149 | 91.98 |
| Argentina | 2 | 1.20 | Italy | 1 | 0.62 |
| France | 5 | 2.99 | South Africa | 1 | 0.62 |
| Angola | 3 | 1.80 | Tanzania | 2 | 1.23 |
| Brazil | 1 | 0.60 | Kenya | 1 | 0.62 |
| Mozambique | 2 | 1.20 | Malaysia | 1 | 0.62 |
| Venezuela | 2 | 1.20 | Ireland | 2 | 1.23 |
| Germany | 2 | 1.20 | Sweden | 1 | 0.62 |
| India | - | - | India | 2 | 1.23 |
| Canada | - | - | Canada | 1 | 0.62 |
| Turkey | - | - | Turkey | 1 | 0.62 |
| Total | 167 | 100 | | Total 162 | 100 |
| | Mean =2.47 | SD = 1.53 | | Mean = 1.44 | SD = 1.69 |
| SD = Standard Deviation | | | | | |

Source: Elaborated by the author

Out of a total of 167 **Portuguese** respondents, 150 answered that they were born in Portugal, 5 in France, 3 in Angola, 2 in Mozambique, 2 in Venezuela and 2 in Germany and only one in Brazil. The relationship between Portugal and all these countries is that all these countries are where the Portuguese migrate to (France and Germany), or countries that were colonised by Portugal (Brazil, Angola and Mozambique). The only exception is Venezuela.

For the **United Kingdom** answers were obtained from 149 nationals and 13 were born overseas. From these 13 the majority comes from countries whose language is English or countries which were colonised by Great Britain. Italy (fashion capital), Sweden and Turkey are the exceptions.

The countries from where the decision-maker migrated are related to the cultural characteristics of the two countries. In Portugal, 17 immigrant decision-makers came from 7 countries while in United Kingdom 13 immigrant decision-makers came from 10 countries.

6.2.3 – Decision-Maker's Characteristics / Subjective Characteristics

In order to understand decision-makers' perceptions of international involvement some questions were asked. The questions were about: risks, costs and benefits from exporting. Each question had six, seven and seven dimensions respectively.

6.2.3.1 - Risks in Exporting

In order to have an understanding of the views of risk in exporting by Portuguese and United Kingdom decision-makers, the table 6.22 was elaborated.

Table: 6: 22 - Subjective Characteristics (Risk) by Portuguese and UK Decision-Makers

| Portugal | | | | | | | | | United Kingdom | | | | | | | |
|----------------------|--------------------|-------------|-------------------------------|------------|-------------------|------|------|-----|------------------|------------|-------------------------------|------------|-------------------|------|------|-----|
| Risk Exporting | Response Scale | | | | Scale Descriptive | | | | Response Scale | | | | Scale Descriptive | | | |
| | St. Disagr % | Disagr % | N. Disag. N. agree % | Agree % | St. Agree % | Mean | SD | N | St. Disagr. % | Disag % | N. Disagr. N. gree % | Agree % | St. Agree % | Mean | SD | N |
| I. mark. infor. | 9.49 | 31.01 | 27.85 | 27.85 | 3.80 | 2.85 | 1.05 | 158 | 8.18 | 28.93 | 28.93 | 28.93 | 5.03 | 2.94 | 1.05 | 159 |
| C. f. imp. reg. | 9.15 | 35.29 | 35.29 | 18.95 | 1.31 | 2.68 | 0.93 | 153 | 5.66 | 33.33 | 29.56 | 28.93 | 2.52 | 2.89 | 0.97 | 159 |
| C. f. Bus. Pract. | 5.73 | 34.39 | 26.11 | 29.94 | 3.82 | 2.92 | 1.01 | 157 | 4.94 | 28.40 | 33.33 | 31.48 | 1.85 | 2.97 | 0.94 | 162 |
| N –Pay goods | 8.13 | 26.88 | 25.00 | 33.13 | 6.88 | 3.04 | 1.10 | 160 | 4.29 | 21.47 | 25.15 | 38.65 | 10.43 | 3.29 | 1.05 | 163 |
| Ad. p. ev. over. | 7.05 | 25.00 | 26.92 | 35.90 | 5.13 | 3.07 | 1.05 | 156 | 3.77 | 22.64 | 40.25 | 30.19 | 3.14 | 3.06 | 0.90 | 159 |
| P. I. brand int. | 14.19 | 34.19 | 32.26 | 18.71 | 0.65 | 2.57 | 0.97 | 155 | 8.39 | 38.71 | 39.35 | 11.61 | 1.94 | 2.60 | 0.87 | 155 |

Source: Elaborated by the author

According to the **Portuguese** respondents, obtaining information about the market does not constitute a problem. The mean being 2.85. Responses range from 40.5 %, representing those who disagree that it is risky exporting due to incorrect market information compared to 31.7 % representing those who agree that exporting is risky. The remaining 27.9% considered incorrect market information to be in the middle of the comparison.

The same relative tendency can be observed in connection with confusing foreign import regulations. The interviewees did not consider exporting at all risky due to this dimension. Almost 45% disagree completely and only 20% affirm that they have problems with foreign import regulations. The mean is 2.68, confirming this point of view. 35.3% of the respondents are between these two extremes.

The third dimension is “confusing foreign business practices “, which follows a tendency similar to the last two: 40 % of the decision-makers strongly disagree, while 33.8% consider that this dimension constitutes a problem. The mean is 2.92, confirming the tendency noted before, although a little closer to 3 this time.

However, the tendency noted before is altered by the dimension “non-payment of goods“. Almost 41% consider the payment of goods a problem, while 35% do not consider this a problem at all. Around 25% of the interviewees do not have an opinion.

The same percentage was registered in relation to “adverse political events overseas“. The decision-makers considered this dimension risky. According to this point of view there are 41% of the interviewees who would agree, while 32% are against. With no opinion are almost 27%. In mean terms this represents 3.07, meaning that the tendency leans toward political events that constitute a risk.

Contrary to the last two dimensions a “possible loss of brand integrity” did not constitute any problem at all to the interviewees.

In conclusion we can say that of all these six dimensions only the “non-payment of goods” and “adverse political events overseas” constituted or could constitute a problem. The other four did not constitute a problem at all for the majority of the interviewees.

The number of **United Kingdom** decision-makers that state that the market information does not constitute any kind of problem is higher than those who think the contrary. According to 37.11% of the interviewees this kind of information did not constitute any problem at all. However 33.96% do not think similarly. In the middle of these extremes there are 28.93%. The mean is 2.94, meaning that this dimension did not constitute a problem.

The same tendency arose with “confusing foreign regulations” and “confusing foreign business practices”. In both cases the interviewees did not consider these dimensions any kind of problem at all, the mean is 2.89 and 2.97 respectively.

However, “non-payment of goods” and “adverse political events overseas” do constitute a problem. The number of interviewees considering these two dimensions a problem is bigger than those who do not. Their means prove this being 3.29 and 3.06 respectively.

Finally “possible loss of integrity” did not constitute any kind of problem at all. 47% took this point of view while only 13.6% disagreed. With no opinion there was 39.35%. The mean is 2.60, reflecting this point of view very well.

In conclusion, it can be said that of the six dimensions only two can constitute problems, and they are “non-payment of goods” and “adverse political events overseas”.

The answers from the decision-makers of the two countries, among the six dimensions, were unanimous. According to the interviewees the “incorrect market information“, “confusing foreign import regulations“, “confusing foreign business practices“, and “possible loss brand of integrity“ did not constitute any kind of risk in exporting.

However, “non-payment of goods“ and “advertise politic events overseas“ did not constitute problems according to the interviewees. This can be confirmed with the statistical results obtained from the decision-makers. Hence, for Portuguese decision-makers their means are: 2.85, 2.68, 2.92, and 2.57 for the dimensions that they considered not to constitute a problem, while for the other two the means are 3.04 and 3.07. And for United Kingdom decision-makers their means are 2.94, 2.89, 2.97 and 2.60 while for the last two they are 3.29 and 3.06. With the exception of “adverse political events overseas” all the means from United Kingdom statistics are slightly superior.

In all these four dimensions the Portuguese agree with the view defended by the UK decision-makers but they are a little more pessimistic.

6.2.3.2 – Costs Perception

The next table 6.23 will give an understanding of what the Portuguese and United Kingdom decision-makers think about exporting costs. Hence, the respondents were asked their opinion on seven factors. The costs of exporting are higher than those associated with domestic sales due to: “higher distribution costs”, “higher level and administrative costs”, “higher cash-flow needs”, “higher financing costs“, “additional payment assurance costs“, “additional foreign exchange risk costs“ and “higher information costs“.

Table 6.23 highlights the distribution of exporting costs by Portuguese and United Kingdom decision-makers.

The number of Portuguese interviewees that think that there were higher distribution costs in exporting is 59%. Only 25% disagree with this point of view. The mean is 3.29 confirming this point of view. There are 19.35% with no opinion.

Table 6:23 – Costs Perception

Portugal

United Kingdom

| Exporting Costs | Response Scale (%) | | | | | Scale Descriptive | | | Response Scale (%) | | | | | Scale Descriptive | | |
|---------------------|--------------------|---------|----------------------|-------|-----------|-------------------|------|-----|--------------------|---------|------------------------|-------|-----------|-------------------|------|-----|
| | St. Disagr. | Disagr. | N. Agree N Disagr | Agree | St. Agree | Mean | SD | N | St. Disagr. | Disagr. | N. Agree N. Disagr. | Agree | St. Agree | Man | SD | N |
| H. dist. costs | 3.87 | 21.94 | 19.35 | 50.97 | 3.87 | 3.29 | 0.98 | 155 | 3.11 | 8.70 | 12.42 | 60.87 | 14.91 | 3.76 | 0.92 | 161 |
| H. Ad. costs | 4.61 | 40.79 | 29.61 | 23.68 | 1.32 | 2.76 | 0.91 | 152 | 2.50 | 21.88 | 25.63 | 43.75 | 6.25 | 3.29 | 0.96 | 160 |
| H. c-f needs | 4.55 | 29.22 | 24.03 | 31.17 | 11.04 | 3.15 | 1.10 | 154 | 1.25 | 19.38 | 31.88 | 40.00 | 7.50 | 3.33 | 0.92 | 160 |
| H. f. costs | 5.88 | 29.41 | 25.49 | 31.37 | 7.84 | 3.06 | 1.08 | 153 | 2.50 | 20.00 | 34.38 | 38.75 | 4.38 | 3.23 | 0.90 | 160 |
| A. pay. A. costs | 1.32 | 22.37 | 26.32 | 44.08 | 5.92 | 3.31 | 0.93 | 152 | 1.90 | 18.35 | 35.44 | 39.87 | 4.43 | 3.27 | 0.88 | 158 |
| A. f. e. r. costs | 9.87 | 38.16 | 38.16 | 13.82 | | 2.56 | 0.85 | 152 | 1.25 | 9.38 | 18.75 | 55.63 | 15.00 | 3.74 | 0.87 | 160 |
| H. inf. costs | 2.74 | 26.03 | 34.25 | 33.56 | 3.42 | 3.09 | 0.92 | 146 | 2.53 | 15.82 | 51.27 | 27.85 | 2.53 | 3.12 | 0.79 | 158 |

Source: Elaborated by the author

In relation to the second dimension our interviewees had a different point of view. 45% disagreed that the administration costs were higher (45 %) but only (24 %) agreed that they were higher. Those opinions were around 30%. The mean is 2.76, meaning the administrative costs do not increase exporting costs.

As regards the dimension "higher cash-flow needs", 42% believe that for exporting they need more cash flow. A different point of view is expressed by 33%, who think that they do not need more cash flow. The mean, 3.15, shows that the need for more cash flow is a reality.

There appears to be a consensus that there are higher necessities to finance the costs. In favour of this point of view there are 39%, and against 35%. With no opinion are 25.5%. The mean is 3.06.

50% of the interviewees believe there is a requirement for additional payment assurance costs and only 23% disagree with this point of view. The percentage of interviewees with no opinion is around 26%. The mean is 3.31.

In connection with the sixth factors, it is generally agreed that there are no additional foreign exchange risk costs. In favour of this opinion are 48%. Against this point of view, are 13.9%. The mean is 2.56 confirming the idea stated before.

Finally, the greater number of interviewees agreed that there are higher information costs (36%). While 28% believed the contrary and 34.25% had no opinion.

In conclusion it can be said that, according to the Portuguese interviewees, exporting costs are due to higher distribution costs, higher cash flow needs, higher financing costs, additional payment assurance costs and higher information costs.

According to 75% of United Kingdom interviewees, the distribution costs were largely responsible for exporting costs. Only 11% did not think so, and the percentage of those that

did not answer was very low (12.42%). The mean is 3.76, confirming that distribution increased the costs of exporting.

In relation to “administrative costs” 49% think that they were responsible while only 24% disagree. Without a clear idea, were 25.63%. Giving a mean of 3.29, confirming the idea stated before.

Both “cash flow needs” and “financing costs” costs are responsible for an increase of costs, 47% and 42% agreeing to the first and second dimension respectively. Against, are 20% and 22.5% respectively.

According to **United Kingdom** interviewees, the next three dimensions are all responsible for an increase of the costs in exporting. Therefore, 44% state that exporting costs are increased by payment of additional assurance costs. Against are only 20% and without opinion there are 35.44%. In relation to “additional foreign exchange risk costs” 70% agree that this is a factor, only 10% disagree, and 18.75% have no opinion at all. Finally, 30% answer that “higher information costs” were responsible for increasing costs in exporting. Contrary to this opinion are 18 % and with no opinion 51.3%.

In conclusion, and according to UK decision-makers all these dimensions were responsible for an increase in exporting costs. To confirm this there are their means, which are always higher than 3, the lowest figure being 3.12, for “higher information costs”.

Conclusion, there are some differences between what Portuguese and UK decision-makers think about factors responsible for increasing exporting costs. Hence, Portuguese respondents argued that “ higher administrative costs “ and “additional foreign exchange risk costs” were responsible for increasing cost of exporting. Their means are respectively 2.76 and 2.56, which confirmed the idea expressed before. However, for United Kingdom respondents, these two dimensions were not considered responsible for increased costs in exporting. Their means are 3.29 and 3.74 respectively. This is the first and most important difference. There are others, but they are less significant. Hence, for the other five

dimensions, except for “additional payment assurance costs“ United Kingdom respondents are more positive than Portuguese respondents. In all of these dimensions the mean of United Kingdom respondents is superior to Portuguese respondents. The only exception relates to “additional payment assurance costs“ whose mean for Portuguese answers is 3.31 and 3.27 to United Kingdom interviewees.

In conclusion, for the dimension “additional payment costs“ Portuguese respondents were more negative than United Kingdom respondents. For the remaining six dimensions UK interviewees were more pessimistic. Portuguese interviewees considered administrative costs and foreign exchange risk costs increased exporting costs.

6.2.3.3 – Profitability

The third subjective and descriptive research finding is presented in table 6.24. It will focus on the benefits from exporting. Seven dimensions will be presented. They are: “overcomes a limited home market”, “adds to the firm’s overall profitability”, “reduces the impact of domestic economic downturn“, “exploits economies of scale”, “allows our firm to diversify its markets”, “gives our firm a prestigious image”, “allows our firm to sell off surplus production”.

Portuguese decision-makers considered the dimension “overcome a limited home market” as the most important of all the dimensions in increasing benefit from exporting. 90% of interviewees agreed completely with this dimension. Only 3.13% expressed the contrary opinion and 6.88% did not express any opinion. The mean, 4.27, a very high figure that demonstrates completely this strongly-held opinion.

Table 6:24 –Subjective Characteristics (Benefits from Exporting) by Portuguese and U K Decision-makers

| Benefits From Exporting | Portugal | | | | | | | | United Kingdom | | | | | | | |
|-------------------------|--------------------|---------|----------------------|-------|-----------|-------------------|------|-----|--------------------|-------|---------------------|-------|-----------|-------------------|------|-----|
| | Response Scale (%) | | | | | Scale Descriptive | | | Response Scale (%) | | | | | Scale Descriptive | | |
| | St. Disag | Disagr. | N. Disagr. Nor Agree | Agree | St. Agree | Mean | S D | N | St. Disagr. | Disag | N. Disagr. N. agree | Agree | St. Agree | Mean | SD | N |
| Ov. L. h. mark. | 0.63 | 2.50 | 6.88 | 49.38 | 40.63 | 4.27 | 0.75 | 160 | 2.47 | 1.85 | 8.64 | 60.49 | 26.54 | 4.07 | 0.80 | 162 |
| A. f. ov. Profit. | | 5.73 | 15.29 | 52.87 | 26.11 | 3.99 | 0.80 | 157 | 0.62 | 1.24 | 10.56 | 62.11 | 25.47 | 4.11 | 0.68 | 161 |
| R. imp. D. ec. D. | 0.64 | 3.21 | 13.46 | 57.05 | 25.64 | 4.04 | 0.76 | 156 | 1.23 | 0.62 | 16.67 | 60.49 | 20.99 | 3.99 | 0.72 | 162 |
| Exp. Ec. Scale | 0.64 | 5.73 | 22.93 | 50.32 | 20.38 | 3.84 | 0.84 | 157 | 1.86 | 6.21 | 31.06 | 44.10 | 16.77 | 3.68 | 0.89 | 161 |
| A. div. markets | | 0.63 | 4.40 | 56.60 | 38.36 | 4.33 | 0.59 | 159 | 0.61 | 2.45 | 10.43 | 66.26 | 20.25 | 4.03 | 0.68 | 163 |
| G. f. prest. Image | 0.63 | 6.96 | 15.82 | 54.43 | 22.15 | 3.91 | 0.84 | 158 | 0.62 | 8.02 | 30.25 | 43.21 | 17.90 | 3.70 | 0.88 | 162 |
| S. Surp. Produc. | 11.46 | 33.76 | 34.39 | 13.38 | 7.01 | 2.71 | 1.06 | 157 | 8.75 | 43.13 | 28.13 | 17.50 | 2.50 | 2.62 | 0.96 | 160 |

Source: Elaborated by the author

An identical opinion was expressed by respondents relative to the 2nd, 3rd, 4th, 5th and 6th dimension. There is widespread agreement that exporting adds to firm profitability, reduces the impact of domestic economic downturn, exploits economies scale, allows diversity markets and finally, gives firms a prestigious image. Their means are 3.99, 4.04, 3.84, 4.33, and 3.91 respectively.

However, the contrary opinion was expressed in relation to sell surplus of production the decision-makers express a contrary point of view. 45.22% expressed their opinion according to this point of view, while 20.39% disagreed. About 34% did not express their opinion. The mean of this variable is above the mid-point 3, which confirms that the majority of respondents do not see this as a way to increase business.

In conclusion, all the dimensions were considered fundamental to increase the profits from exporting, with the exception of the last. This means they have a policy of exporting.

According to **United Kingdom** interviewees six of the seven dimensions are highlighted as responsible for the benefits of exporting.

The only exception is the seventh dimension, "sell surplus production". All the other dimensions have a highlighted positive impact regarding: highlight determinants being "overcomes a limited home market", "adds firm overall profitability", "reduces impact domestic economic downturn " and "allows diversity markets " highlight determinants. All these variables have means ranging from 3.99 to 4.11. Their importance is more than evident in the benefits from exporting according to United Kingdom respondents.

Conclusion - analysing the responses from the two groups of respondents, we can conclude the similarities are greater than the differences. Regarding six dimensions, all respondents are unanimous in their positive contribution to the benefits from exporting. In connection to the last dimension "allows our firm to sell off surplus production" there is

also unanimity between these two groups. That is, this dimension is not a significant benefit of exporting.

6.2.3.4 - Commitment to Exporting

In order to understand commitment (sometimes referred to as “export involvement”) to exporting from decision-makers, four questions were included in the questionnaire. Only one of them is not in the form of scales. It refers to the 30th question on the questionnaire. The next, and first from this group, is about the involvement of the firms in planning export activities. It has six dimensions. They are: “our senior management provides planning direction“, “we draw upon knowledge and experience from different levels of staff”, “our plans are drafted and then regularly reviewed and revised”, “we provide training to assist in the effectiveness of our planning for export activities”, “we use a number of motivational incentives to encourage good planning for export activities”, and “we allocate sufficient time to formulate our planning for export activities“. Each of these dimensions was designed to capture a specific ingredient of commitment to exporting.

Table 6.25 highlights the distribution of responses from Portuguese and UK decision-makers.

The majority of **Portuguese** respondents (68.11%) stated that in their firm they have senior management who provide planning direction. However, 18.41% answered this was not the policy of their firms, while 13.50% do not have an opinion. This corresponds to a mean of 3.63. In conclusion, this dimension contributes to their worries.

Table 6.25 - Commitment to Exporting (Planning Activities)

| Planning Export Activities | Portugal | | | | | | | | United Kingdom | | | | | | | |
|----------------------------|--------------------|---------|-----------------------|-------|-------------------|------|------|-----|--------------------|---------|---------------------|-------|-------------------|------|------|-----|
| | Response Scale (%) | | | | Scale Descriptive | | | | Response Scale (%) | | | | Scale Descriptive | | | |
| | St. Disag | Disagr. | N. Disag. N. Agree | Agree | St. Agree | Mean | SD | N | St. Disagr. | Disagr. | N. Dis. N. Agree | Agree | St. Agree | Mean | SD | N |
| S. M. P. P. Direct. | 1.23 | 17.18 | 13.50 | 53.99 | 14.11 | 3.63 | 0.97 | 163 | 0.63 | 8.13 | 26.88 | 54.38 | 10.00 | 3.65 | 0.79 | 160 |
| We draw up ... | 1.88 | 19.38 | 21.88 | 54.38 | 2.50 | 3.36 | 0.89 | 160 | 0.62 | 16.15 | 24.22 | 50.31 | 8.70 | 3.50 | 0.89 | 161 |
| O. p. are d. r. & rev. | 0.64 | 8.92 | 24.20 | 57.96 | 8.28 | 3.64 | 0.78 | 157 | 0.62 | 20.50 | 37.27 | 36.65 | 4.97 | 3.25 | 0.86 | 161 |
| pr. train to assist | 1.90 | 17.72 | 33.54 | 44.94 | 1.90 | 3.27 | 0.84 | 158 | 3.14 | 37.11 | 32.08 | 27.04 | 0.63 | 2.85 | 0.88 | 159 |
| mot. inc. enc. plan. | 1.28 | 15.38 | 33.33 | 46.79 | 3.21 | 3.35 | 0.83 | 156 | 5.03 | 45.28 | 41.51 | 8.18 | | 2.53 | 0.72 | 159 |
| A. suf. t. to f. plan. | 0.64 | 11.46 | 34.39 | 52.23 | 1.27 | 3.42 | 0.73 | 157 | 1.27 | 30.38 | 37.34 | 28.48 | 2.53 | 3.01 | 0.86 | 158 |

Source: Elaborated by the author

The person responsible for the planning of export activities has not only to worry about providing planning direction but also how to draw upon the knowledge and experience from different levels of staff. Around 57% answered to having this worry while 21.26% affirmed this was not part of their policy. The mean, 3.36, exhibiting mean scores superior to the mid-point of 3.

Finally, the interviewees also answered positively to the next three variables. The number of positive answers is largely superior to the negatives. This corresponds to a mean of 3.27, 3.35 and 3.42 respectively.

In conclusion, these six dimensions form part of the culture of the companies. Decision-makers giving them special attention when they have developed their policy.

United Kingdom decision-makers play special attention to the variables “senior management provide planning direction”, “we draw upon knowledge and experience from different levels of staff” and “our plans are drafted review and revised”. They answered that they pay attention to all these dimensions. Hence, the percentage of positive answers are 64.38%, 59.10% and 3.25%, while 8.76%, 16.77%, and 21.12% respectively answer that these worries do not constitute part of their firms policy. Their means are 3.65, 3.50 and 3.25. All exhibited mean scores superior to the mid-point of 3.

However, and according to statistics, the next two dimensions did not constitute part of their policy. The number of them answering negatively is superior to those who answer positively. Their means are 2.85 and 2.53, mean scores below mid-point of 3.

And finally, the dimension “we allocate sufficient time to formulate our planning” to which 31.01% answer positively, while 31.65% responded that this is not part of their management practice. Expressing the opinion was a very high number (37.34%). The mean was 3.01.

In conclusion, we can say that from these six dimensions, only two were not considered at all important by United Kingdom decision-makers and a third dimension demonstrated a very high percentage of decision-makers without opinion.

Conclusion - the most important proof that we can find is that the Portuguese use all these six dimensions when they plan their export activities. However, UK respondents do not pay special attention to two of the considered dimensions: “we provide training to assist in the effectiveness of our planning for export activities” and “we use a number of motivational incentives to encourage good planning for export activities”. Their means are 2.85 and 2.53 respectively.

The other four dimensions were used by both groups of respondents. The first two dimensions were used more intensively by the United Kingdom than the Portuguese respondents, whose means are 3.65 and 3.50 for the United Kingdom, while for the Portuguese, 3.63 and 3.36 respectively.

However, in relation to the third and sixth dimension Portuguese decision-makers answered more positively than United Kingdom respondents. The means were 3.64 and 3.42 respectively for the Portuguese interviewees as against 3.25 and 3.01 for the others.

In conclusion, it can be said that there are similarities between the behaviour of the two groups for four of the six dimensions. In relation to the other two (fourth and sixth), UK decision-makers answered that they had not consider these two dimensions, while Portuguese reported to having used it in their planning for export activities.

6.2.3.5 – Support to Export

International Promotion

The second question connected to commitment to exporting refers to what kind of promotion is used internationally. In this question seven dimensions were used: “visit foreign customers“, “attend international trade shows“, “invite foreign client to visit manufacturing plants/offices“, “send out catalogues“, “send free samples/gifts“, “offer discounts/price reductions“, and “advertise”.

Table 6.26 highlights the distribution of responses from Portuguese and United Kingdom respondents.

Portuguese decision-makers visiting foreign customers was the second most common method of international promotion employed by Portuguese decision-makers. Affirmative answers were 80.98%. However, 10.43% of them affirmed this policy does not make up part of their international promotion and only 8.59% had no opinion. The mean is 3.97.

According to statistics “attend international trade shows” was also referred to as a form of international promotion highly utilised by respondents, with 76.39% using this form of promotion, while 10.56% answered this was not part of their policy of export promotion 13.04% had no opinion. The mean is 3.94.

The most utilised form of export promotion was “invite foreign client visit manufacturing”. Hence, 85.72% affirmed to having used this form of promotion while only 3.1% answered not having used it. The mean, 4.14, exhibited a score well above the mid-point of 3.

Table 6:26 – Exporting Commitment (International Promotion)

| International Promotion | Portugal | | | | | | | | United Kingdom | | | | | | | |
|-------------------------|--------------------|--------|------------------------|-------|-----------|--------------------|------|-----|--------------------|---------|------------------------|-------|--------------------|------|------|-----|
| | Response Scale (%) | | | | | Scale Descriptives | | | Response Scale (%) | | | | Scale Descriptives | | | |
| | St. Disag | Disag. | N. Disagr. N. Agree | Agree | St. Agree | Mean | SD | N | St. Disagr. | Disagr. | N. Disagr. N. Agree | Agree | St. Agree | Mean | SD | N |
| V. f. Cust. | 2.45 | 7.98 | 8.59 | 52.15 | 28.83 | 3.97 | 0.96 | 163 | 1.24 | 12.42 | 6.21 | 52.80 | 27.33 | 3.93 | 0.97 | 161 |
| A. Int. trad ... | 1.24 | 9.32 | 13.04 | 46.58 | 29.81 | 3.94 | 0.96 | 161 | 1.86 | 12.42 | 8.07 | 53.42 | 24.22 | 3.86 | 0.99 | 161 |
| I. for. cl. ... | 1.24 | 1.86 | 11.18 | 53.42 | 32.30 | 4.14 | 0.78 | 161 | 1.23 | 10.49 | 10.49 | 54.94 | 22.84 | 3.88 | 0.92 | 162 |
| S. out cat. | 3.75 | 12.50 | 26.88 | 42.50 | 14.38 | 3.51 | 1.01 | 160 | 5.63 | 15.63 | 15.63 | 49.38 | 13.75 | 3.50 | 1.09 | 160 |
| S. f. gifts | 1.85 | 5.56 | 17.90 | 50.00 | 24.69 | 3.90 | 0.90 | 162 | 4.38 | 15.63 | 23.13 | 43.75 | 13.13 | 3.46 | 1.05 | 160 |
| Offer disc. | 6.88 | 28.13 | 35.00 | 25.63 | 4.38 | 2.93 | 0.99 | 160 | 6.33 | 31.01 | 29.75 | 29.11 | 3.80 | 2.93 | 1.00 | 158 |
| Advertising | 4.43 | 22.15 | 36.71 | 32.28 | 4.43 | 3.10 | 0.95 | 158 | 9.43 | 28.30 | 30.19 | 26.42 | 5.66 | 2.91 | 1.07 | 159 |

Source: Elaborated by the author

Other practices such as “send out catalogues“, “send free samples/gifts” and “advertise“ were also largely utilised as means of promotion. To these forms of promotion corresponds the means of 3.51, 3.90 and 3.10 respectively. This means that though less used than the first three, they make up part of the policy of international promotion used by Portuguese decision-makers.

However, “offer discounts“ constituted the least-used export promotion policy. 30.01 % of respondents answered positively to making it part of their policy, while 35.01% affirmed not having used this method 35% neither agreed nor disagreed. The mean, 2.93 exhibited a score below the mid-point of 3.

In conclusion, from these seven variables, the only policy which is little used in relation to their practical international promotions is to offer discounts.

The most used form of international promotion by United Kingdom respondents was “visiting a foreign customer”. It was used by 80.13% while 13% answered to not using it. With no opinion were 6.21%. The mean is 3.93.

“Attend international trade shows” and “invite foreign client visit manufacturing” were the second and third ways of ensuring export promotion respectively. Their means are 3.86 and 3.88 respectively.

These three forms were followed by “send out catalogues” and “send free samples/gifts”. “Send out catalogues“ was a method used by 63% of the people asked, while 21% answered they did not use this way to promote their products. 15.63% did not express an opinion. The mean is 3.50.

“Send free samples/gifts”, according to statistics, received the favourable opinion of 56% of respondents, while 20% answered they did not use this way to promote their products. These values correspond to the mean of 3.46.

Finally, there are two dimensions that were not widely accepted by the respondents as a way to promote their products. These are the dimensions “offer discounts” and “advertise”. The percentage of those who said they did not use this way to promote their products is bigger than those who responded to the contrary. The means are 2.93 and 2.91 respectively. They exhibited scores below the mid-point of 3.

Summarising, five of the seven variables constituted the most frequently used way of promoting their products. All these variables presented positive values for their means as we have seen. The other two did not constitute a practical system of international promotion by the majority of those asked.

Furthermore - It is interesting to note that the Portuguese state that they do not offer discounts as part of their international promotion. A similar answer was obtained from the United Kingdom respondents. The mean is 2.93 for both countries. But, while the Portuguese state that only this dimension is not used often, the UK interviewees also refer to “advertise”. The mean for the Portuguese is 3.10 while for UK respondents it is 2.91. This is the biggest difference between the two groups.

The other five dimensions are referred to as being used by both groups. It must be noted that the means of the dimensions presented by Portuguese respondents are always superior to those presented by United Kingdom respondents.

In conclusion, the most used methods of international promotion according to statistics are first by “visiting foreign customers”, “attend international trade shows” and “invite foreign client visit manufacturing”. Followed by “send out catalogues” and “send free samples”. In relation to the last two, neither the Portuguese nor the United Kingdom respondents use them commonly.

International Promotion Spending

Table 6.27 – International Promotion Spending

| | Portugal | | United Kingdom | |
|--|-------------|------------|----------------|------------|
| Percentage Spent International Promotion | Frequency | Percentag. | Frequency | Percentage |
| | N | % | N | % |
| [0] % | 28 | 19.72 | 43 | 32.82 |
| [1-3] % | 79 | 55.63 | 50 | 38.17 |
| [4-5] % | 21 | 14.79 | 22 | 16.79 |
| >5 % | 14 | 9.86 | 16 | 12.21 |
| Total | 142 | 100.00 | 131 | 100 |
| | Mean = 2.76 | SD = 3.37 | Mean = 3.71 | SD = 7.29 |
| SD = Standard Deviation | | | | |

Source : Elaborated by the author

It was our intention to find out how much each firm spends on International Promotion. Hence, a question without any scale was formulated unlike the former questions. The question was: approximately, what percentage of total export sales is spent on international promotion?

19.72% of **Portuguese** respondents answered that they do not spend anything on international promotion. The biggest range of answers goes to those who spend between 1-3%. This group represents more than half of the respondents (55.63%).

Spending 4-5% on international promotion there are around 15% and finally more than 5% (only 10% of respondents) answered positively. The mean, 2.76, indicating that the largest percentage spending on international promotion is between 1-3%.

A very high percentage of **United Kingdom** respondents answered that they do not conduct international promotion. At 32.82 %, this is 43 out of 131 respondents. The vast majority spend between 1-3%, which means 38.17% of all. In third position is 16.79% respondents who answered to spending between 4-5% and finally, spending more than 5% there were the smallest group, which represents 12.21 %. The mean = 3.71.

In conclusion and according to statistics United Kingdom respondents answered to spending more money on international promotion than the Portuguese. Portuguese mean is 2.76 while United Kingdom mean is 3.71.

Export Department

The last question is connected to commitment to exporting. This question was put to the respondents in the form of five dimensions: “there are sufficient staff in the export department of our company”, “a sufficient proportion of the managing director’s time is devoted to the exporting department”, “the number of employees in our export department is sufficient for an eventual expansion of business in other countries”, “our staff are trained in international activities”, and finally “there is a sufficient proportion of export employees to total employees”.

All the **Portuguese** respondents were unanimous in stating that they pay special attention to all these variables. Hence, 75.15% of them considered the number of staff in the export department as sufficient while only 13.33% considered they did not have enough. These numbers reflect the attention that those responsible dedicate to this area. The mean is 3.68.

Table 6.28 highlights the distribution of responses from Portuguese and United Kingdom decision-makers.

Table 6:28 – Export Department

| Export Department | Portugal | | | | | | | | U. Kingdom | | | | | | | |
|-------------------------------|--------------------|--------|------------------------|-------|--------------------|------|------|-----|--------------------|---------|------------------------|-------|--------------------|------|------|-----|
| | Response Scale (%) | | | | Scale Descriptives | | | | Response Scale (%) | | | | Scale Descriptives | | | |
| | St. Disag | Disag. | N. Disagr. N. Agree | Agree | St. Agree | Mean | SD | N | St. disagr. | Disagr. | N. disagr. N. agree | Agree | St. Agree | Mean | SD | N |
| T. are siffic. Staff | 1.21 | 12.12 | 11.52 | 67.27 | 7.88 | 3.68 | 0.83 | 165 | 2.58 | 12.26 | 20.00 | 57.42 | 7.74 | 3.55 | 0.90 | 155 |
| Sufficient time is | 2.42 | 12.73 | 12.73 | 64.24 | 7.88 | 3.62 | 0.89 | 165 | 1.91 | 9.55 | 17.20 | 59.24 | 12.10 | 3.70 | 0.87 | 157 |
| Number of empl. | 2.42 | 31.10 | 13.41 | 46.34 | 6.71 | 3.24 | 1.04 | 164 | 3.21 | 22.44 | 19.23 | 50.64 | 4.49 | 3.31 | 0.97 | 156 |
| Our staff is ... | 1.82 | 7.27 | 23.64 | 59.39 | 7.88 | 3.64 | 0.80 | 165 | 5.81 | 23.23 | 30.32 | 38.71 | 1.94 | 3.08 | 0.96 | 155 |
| There is suf..... | 0.61 | 9.20 | 14.72 | 67.48 | 7.98 | 3.73 | 0.76 | 163 | 3.27 | 13.07 | 27.45 | 54.25 | 1.96 | 3.39 | 0.86 | 153 |

Source: Elaborated by the author

The next three dimensions followed a similar tendency with a very high percentage of commitment by the respondents. According to statistics their percentage of adhesion were 12 %, 53.05 % and 67.27 % respectively, while 15.15 %, 33.54 % and 9.09 % considered they did not devote sufficient time to the export department, did not have a high enough number of employees and that their staff were not trained in international activities respectively. Their means are 3.62, 3.24 and 3.64 respectively. All exhibited mean scores above the mid-point of 3.

And finally, the variable “there is a sufficient proportion of export employees to total employees” was the variable with more acceptances by the respondents. 75.46% answered positively while 9.81% answered not to having sufficient number of export employees. These values correspond to the biggest mean of these five dimensions. It is 3.73.

6.2.4.1 – Comparing the Most Significant Differences Between Portugal and UK.

Analysing the responses from the two groups of respondents, we can conclude that the similarities are greater than the differences. However, there are some differences in both countries that deserve to be emphasised, and I would like to refer to the most important ones.

The most significant differences were found in the following areas:

- Age of firms; number of years exporting; number of countries to which they export; measuring number of full time employees employed; employees involved in exportation; export as percentage of turnover; age of decision makers; and finally, number knowledge foreign languages.

The United Kingdom firms are older than Portuguese ones, the former operating in mean terms for 53.56 years, while the latter operating in mean terms for only 26.21 years.

Table 6: 29 - Comparing the most Significant Difference Between Portugal and UK Group Statistics

| | Where were you born | N | Mean | Std. Deviation | Std. Error Mean |
|-------------------------------------|---------------------|-----|-------|----------------|-----------------|
| Age Firms | United Kingdom | 163 | 53.56 | 49.528 | 3.879 |
| | Portugal | 164 | 26.21 | 20.409 | 1.594 |
| N. Years Exporting | United Kingdom | 161 | 27.52 | 22.611 | 1.782 |
| | Portugal | 163 | 18.80 | 12.550 | 0.983 |
| N. Countries Exp. | United Kingdom | 157 | 14.68 | 15.727 | 1.255 |
| | Portugal | 164 | 7.93 | 6.879 | 0.537 |
| N. employees | United Kingdom | 163 | 70.02 | 64.366 | 5.041 |
| | Portugal | 163 | 92.71 | 70.588 | 5.529 |
| Employees Involved Dep. Exportation | United Kingdom | 145 | 8.34 | 15.641 | 1.299 |
| | Portugal | 160 | 16.14 | 32.169 | 2.543 |
| Exp. % Turnover | United Kingdom | 163 | 33.47 | 28.534 | 2.235 |
| | Portugal | 165 | 67.10 | 31.723 | 2.470 |
| Age management | United Kingdom | 154 | 49.60 | 9.545 | 0.769 |
| | Portugal | 163 | 42.10 | 10.543 | 0.826 |
| Spoken languages | United Kingdom | 135 | 0.87 | 0.968 | 0.083 |
| | Portugal | 148 | 2.30 | 0.914 | 0.075 |

Source: Elaborated by the author.

However, the differences registered are also at the level of number of years that they have been exporting. UK firms have exported for more years than the Portuguese. They operate in mean terms on 28 years while the Portuguese operate in mean terms of 19 years.

Differences were also registered at the level of the number of countries to which they export. The Portuguese prefer to export to a very small number of countries while the UK firms vary in the number of countries they export to.

Furthermore, differences are also registered at the level of the number of full time employees employed. In the UK the majority of employees work in small firms (those which employ between 20 and 49 employees) while in Portugal the number of employees are distributed proportionally between the three groups: 20-49, 50-99, and 100-250. Portuguese firms employ in medium terms 16 employees in the export department while the United Kingdom employed in medium terms only 8 employees.

In terms of exports, as % of turnover, in Portugal, they represent in medium terms around 67%, while in the United Kingdom they do not exceed 33%. The Portuguese produce principally for export while the UK produces mainly for the national market.

Characteristics of Decision Makers – Portuguese decision makers are younger than the U.K. ones. They are better at foreign languages and know more foreign languages.

These are the most relevant differences in terms of characteristics that separating both countries.

In conclusion, would like to finish as have begun. In spite of all these differences, the similarities are greater than the differences that separating the two countries in terms of characteristics studied in the present study.

Having carried out a comparative study of the most significant differences between firms' characteristics and decision-makers' characteristics in Portuguese and United Kingdom firms, next, the study is repeated, because T test is a more powerful power statistic instrument than comparative tables.

6.3 - T-Test

An independent samples t-test is carried out to test for mean differences between the most significant differences between firms' characteristics and decision-makers' characteristics in Portuguese and United Kingdom firms. T-test is the appropriate test for comparing the average levels of two samples. Therefore, the results obtained on t-test are showed in the next table.

Table 6: 30 - T-Test

Group Statistics

| | Firm . Nationality | N | Mean | Std. Deviation | Std. Error Mean |
|------------------------|--------------------|-----|-------|----------------|--------------------|
| Firms Age | U. Kingdom | 163 | 53.56 | 49.528 | 3.879 |
| | Portugal | 164 | 26.21 | 20.409 | 1.594 |
| N. Years Exporting | United Kingdom | 161 | 27.52 | 22.611 | 1.782 |
| | Portugal | 163 | 18.80 | 12.550 | 0.983 |
| N. Countries Export | United Kingdom | 157 | 14.68 | 15.727 | 1.255 |
| | Portugal | 164 | 7.93 | 6.879 | 0.537 |
| N. Employees | United Kingdom | 163 | 70.02 | 64.366 | 5.041 |
| | Portugal | 163 | 92.71 | 70.588 | 5.529 |
| Emp. Involved Export | United Kingdom | 145 | 8.34 | 15.641 | 1.299 |
| | Portugal | 160 | 16.14 | 32.169 | 2.543 |
| Exp. % Turnover | U.nited Kingdom | 163 | 33.47 | 28.534 | 2.235 |
| | Portugal | 165 | 67.10 | 31.723 | 2.470 |
| Age Management | United Kingdom | 154 | 49.60 | 9.545 | 0.769 |
| | Portugal | 163 | 42.10 | 10.543 | 0.826 |
| Number Lang. Spoken | United Kingdom | 135 | 0.87 | 0.968 | 0.083 |
| | Portugal | 148 | 2.30 | 0.914 | 0.075 |

| T – Test | | t-test for Equality of Means | | | | |
|----------------------|-----------------------------|------------------------------|---------|-----------------|-----------------|-----------------------|
| | | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference |
| | | | | | | |
| Firms Age | Equal variances assumed | 6.537 | 325 | .000 | 27.357 | 4.185 |
| | Equal variances not assumed | 6.523 | 215.201 | .000 | 27.357 | 4.194 |
| N. Years Exporting | Equal variances assumed | 4.295 | 322 | .000 | 8.712 | 2.028 |
| | Equal variances not assumed | 4.281 | 249.376 | .000 | 8.712 | 2.035 |
| N. Countries Export | Equal variances assumed | 5.012 | 319 | .000 | 6.742 | 1.345 |
| | Equal variances not assumed | 4.939 | 211.580 | .000 | 6.742 | 1.365 |
| N. employees | Equal variances assumed | -3.031 | 324 | .003 | -22.681 | 7.482 |
| | Equal variances not assumed | -3.031 | 321.279 | .003 | -22.681 | 7.482 |
| Emp. Involved Export | Equal variances assumed | -2.649 | 303 | .008 | -7.800 | 2.944 |
| | Equal variances not assumed | -2.731 | 235.103 | .007 | -7.800 | 2.856 |

| | | | | | | |
|---------------------|-----------------------------|---------|---------|------|---------|-------|
| Exp. % Turnover | Equal variances assumed | -10.089 | 326 | .000 | -33.625 | |
| | Equal variances not assumed | -10.095 | 323.183 | .000 | -33.625 | 3.331 |
| Age Management | Equal variances assumed | 6.626 | 315 | .000 | 7.499 | 1.132 |
| | Equal variances not assumed | 6.645 | 314.434 | .000 | 7.499 | 1.129 |
| N. Language. Talked | Equal variances assumed | -12.782 | 281 | .000 | -1.431 | .112 |
| | Equal variances not assumed | -12.749 | 274.888 | .000 | -1.431 | .112 |

The two – tail significance always registered less than $p < 0.05$, meaning there is a significant difference between the variables being studied. As we can see from equal T-value, there are significant differences between the age of the Portuguese and UK firms, number of years that the Portuguese and UK firms have been exporting, the number of countries to which the two countries export, the number of employees employed by the Portuguese and UK, the percentage of export turnover, the age of the Portuguese and UK decision-makers and finally the number of languages spoken.

Comparing the results obtained by T-Test, with the comparative study made by us the results obtained are very similar.

Hence, no more additional comments were made on the basis of the results obtained on T-Tests.

6.4 - Conclusion

The aim of this chapter was to analyse the descriptive statistics generated by the data obtained in the questionnaire. A long and in depth analysis was done through this chapter, and the most relevant findings were explored. The issues covered included firm characteristics; products; production methods; export performance; decision-makers' objective and subjective characteristics. But, in spite of the depth of this analysis, it has not allowed us to go further. To do this, we must use another instrument statistics, which allow us to go into more depth. This will be dealt with in the following chapter.

CHAPTER SEVEN – Empirical Studies and Statistical Analysis

7.1 – Introduction

After the questionnaire was returned and analysed, the descriptive statistics were developed in depth. First the author introduced the literature review about the statistical techniques used in this study. Therefore, this chapter introduces and discusses more sophisticated statistical methods to analyse the data and investigate the kind of relationship within each construction.

Furthermore, the statistical test is run to test the hypotheses, and consequently multivariate techniques will be employed. The principal multivariate statistical techniques employed are the principal component analysis (common factor analysis), regression analysis and logistic regression analysis. The theoretical procedures of these techniques are explained below and their empirical application comes later.

7.2 - Stepwise Multiple Regression

Stepwise multiple regression or statistical regression is a semi-automated process of building a model. This is done by successively adding (forward) or removing (backward) variables, based on the estimated coefficients of T Statistics. However, more power and information are at your fingertips, using the stepwise regression option in Statgraphics compared with ordinary multiple regression. Furthermore, it is useful for sifting through large numbers of potential independent variables and/or fine-tuning a model by putting variables in. The relationship between the dependent variable (X. 15.2), propensity to export and 37 independent variables are described by the implementations of the first multiple regression analysis.

The backward selection model begins with all the candidate variables in the model. At

each step the variable that is least significant was removed. This process continues until no insignificant ($p\text{-value} > 0.05$) variables remain.

As has been described each one of the variables was eliminated step by step until we arrived at a table where only variables with a statistical significance of 90% remained.

The next table (7.1) shows only the variables with 90% of statistical significance.

Table 7.1- Multiple Regression Analysis only with variables at 90% Statistical Significance

| Dependent variable: x15_2 | | | | |
|---------------------------|----------|----------------|-------------|---------|
| Parameter | Estimate | Standard Error | T Statistic | P-Value |
| CONSTANT | 13.4271 | 10.2901 | 1.30486 | 0.1930 |
| Country | 33.1141 | 3.4776 | 9.52212 | 0.0000 |
| x25_1 | -4.38985 | 1.66575 | -2.63536 | 0.0089 |
| x26_3 | .9637 | 1.71851 | 2.88838 | 0.0042 |
| x27_4 | 4.61579 | 2.04006 | 2.26258 | 0.0245 |
| fac4_1 | -5.40119 | 1.78362 | -3.02822 | 0.0027 |

X.25_1 = Incorrect market information

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

Fac4_1 = Advertising and Promotion

7.3 - Dummy Variables

In order to represent subgroups of the samples being studied, a dummy variable, known also as an indicator or bound variable, is a numerical variable used in regression analysis.

In research designs, it is often used to differentiate between groups of treatment. In our study two dummy variables were considered. The dummy variable "0" refers to the United Kingdom and the dummy variable "1" refers to Portugal.

These are useful because they enable us to use a single regression equation to represent

multiple groups. Consequently, it is necessary to write out separate equations models for each subgroup.

Moreover, they act like “switches” turning various parameters on and off in an equation.

Ultimately, despite it being a nominal-level variable, it is possible to treat it statistically like an internal-level variable.

7.4. – Commitment

7.4.1 - Principal Component Analysis Method

The principal component analysis techniques were discussed extensively in the beginning of this chapter. However, the specific parameters of the methods employed in this research will be referred to here.

Principal component analysis was the statistical toll selected to reduce the data. The 18 items identified for inclusion in the process came from planning for export activities, international promotion and involvement in the export department.

Before running a factorial analysis of components, the KMO and Bartlett tests were used to find out if it made sense to implement it.

Kaiser-Meyer-Olkin (KMO) – measure of sampling adequacy and the Bartlett test of sphericity were both conducted in order to ensure the appropriateness of factor analysis. The KMO method should be greater than 0.5 for a satisfactory factor analysis to proceed, and the Bartlett test should not be bigger than 0.05.

In the present study, the KMO is 0.727 (> 0.5), which can be considered praiseworthy, according to Hair et al. (1995). The Bartlett test of sphericity is 0.000 (< 0.05). Both of the tests showed that this was appropriate to factor analyse the data collected in this research. Therefore, KMO and Bartlett’s Test was implemented.

Table 7.2 - KMO and Bartlett Test

| | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | 0.764 |
| Bartlett Test of Sphericity | Approx. Chi-Square | 1532.865 |
| | df | 153 |
| | Sig. | 0.000 |

Number of Factors to Be Extracted

7.4.2 - Number of Factors Extracted

The number of factors to be extracted can be decided according to a number of different criteria. Guttman (1995) recommends extracting only those factors which have a latent root or eigenvalue greater than one. The other criteria that could be used is constructing a screenplot, proposed by Cattell (1987), but it was criticized because of its subjectivity (Kline, 1997 and Cramer 1999). In the present research the method chosen was that defended by Guttman (1995) based on eigenvalues greater than one. The eigenvalues are a measure of standardized variance with a mean of 0 and a standard deviation of 1.

Therefore, Latent Root Criterion was the method chosen to determine the number of factors to be retained.

In the below table the total variance explained at different moments are displayed. In the beginning the factors and their associated eigenvalues could be observed, as well as the percentage of variance explained and the cumulative percentages. In reference to eigenvalues, 5 factors were extracted because they had eigenvalues greater than 1. These factors extracted represented 61% of the total variance explained among the variables.

Table 7.3 – Extraction Method: Principal Component Analysis.

Total Variance Explained

| | Initial Eigen values | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|-----------|----------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Component | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 4.145 | 23.031 | 23.031 | 4.145 | 23.031 | 23.031 | 2.577 | 14.316 | 14.316 |
| 2 | 2.614 | 14.524 | 37.554 | 2.614 | 14.524 | 37.554 | 2.483 | 13.795 | 28.111 |
| 3 | 1.692 | 9.399 | 46.953 | 1.692 | 9.399 | 46.953 | 2.172 | 12.066 | 40.178 |
| 4 | 1.354 | 7.523 | 54.476 | 1.354 | 7.523 | 54.476 | 2.124 | 11.801 | 51.979 |
| 5 | 1.116 | 6.202 | 60.678 | 1.116 | 6.202 | 60.678 | 1.566 | 8.699 | 60.678 |

After deciding on how many factors to extract, the Component Matrix was analysed. The component matrix is a matrix of loading or correlation between variables and factors.

There are two types of variables. Pure variables are those which load (correlate) on only one factor. Complex variables may have loaded (correlated) on more than one factor, and make the interpretation of the output difficult, as happened in the above table. The variable 17 (our staff are trained in international activities) has a loading inferior to 0.5 in a component 1, and has loaded at more than a factor. Therefore, it was removed from the process, and consequently the reliability could be improved. It was decided to remove this variable and continue the research. Now with only 17 variables the research followed.

The Kaiser-Meyer-Olkin (KMO) test and Bartlett test of sphericity were carried out, but now with only 17 variables. The results obtained were very satisfactory: 0.753 for the KMO test (> 0.5) and 0.000 for the Bartlett test. Both of the tests showed that the study must go further.

Table 7.4 - KMO and Bartlett Test

| | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | 0.753 |
| Bartlett Test of Sphericity | Approx. Chi-Square | 1405.830 |
| | df | 136 |
| | Sig. | 0.000 |

Throughout the next table (Latent Root Criterion) the total variance explained is displayed at different moments, as was done before for the 18 variables.

Table 7.5 - Latent Root Criterion

| | Initial Eigenv alues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|------|----------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Comp | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 3.963 | 23.310 | 23.310 | 3.963 | 23.310 | 23.310 | 2.406 | 14.152 | 14.152 |
| 2 | 2.473 | 14.547 | 37.857 | 2.473 | 14.547 | 37.857 | 2.327 | 13.690 | 27.842 |
| 3 | 1.659 | 9.760 | 47.616 | 1.659 | 9.760 | 47.616 | 2.174 | 12.787 | 40.629 |
| 4 | 1.353 | 7.960 | 55.576 | 1.353 | 7.960 | 55.576 | 2.111 | 12.418 | 53.046 |
| 5 | 1.091 | 6.419 | 61.995 | 1.091 | 6.419 | 61.995 | 1.521 | 8.949 | 61.995 |

Extraction Method: Principal Component Analysis.

Five factors were extracted because they have eigenvalues greater than 1. They explain 62% of the total variance explained among the variables.

The next test to be carried out is the unrotated Component, that allows us to choose the five factors to be extracted.

Table 7.6 - An Unrotated Component Matrix

Extraction Method: Principal Component Analysis

| | Component | | | | |
|--|-----------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 |
| Senior Mang Provide Planing Direction | | | | | 0.629 |
| We draw upon knowledge and exper. from different levels of staff | 0.531 | | | | |
| Our plans are drafted review and revised | 0.625 | | | | |
| We provide training to assist in the effectiveness of our planning for export activities | 0.586 | | -.547 | | |
| We use motivational incentives to encourage good planning | | | -.670 | | |
| we allocate suf. time to formulate our planning | 0.580 | | | | |
| Visit foreign customers | 0.594 | | | | |
| Attend Int. trade Shows | 0.566 | | | | |
| Invite foreign client visit manufacturing | 0.629 | | | | |
| Send out catalogues | | | | | |
| Send free samples/gifts | | | | | |
| Offer discounts | | | | 0.562 | |
| Advertise | | | | | |
| There are suffic. staff in exp. depart. | | 0.749 | | | |
| Sufficient time is devoted to exp. dep. | | | | | |
| Number of employees is enough | | 0.675 | | | |
| There is a suffic. proport. export employees | | 0.668 | | | |

This matrix shows the loading of the extracted factors. In the present case there are five factors and 17 variables. The factors' loading are the correlation coefficients between the variables and the factors. Thus, the higher the absolute value of the loading (never >1), the more the factors contribute to the variable.

7.4.3 - Varimax Orthogonal Rotation

The method of rotation used was the varimax orthogonal rotation, and it is carried out in order to produce greater clarity and consequently better results.

Ordinary rotation reduces the number of complex variables and increases interpretation (Table 7.7).

Orthogonal (varimax) rotation confirmed five factors extracted on unrotated solution.

As referred to before, 5 factors were extracted using the eigenvalues. The description of each factor is followed with the variables contained in each one, and labelled according to the nature of these variables.

Factor 1: Decision-making - The first factor was composed of two variables: “our senior management provides planning direction” and “we draw upon knowledge and experience from different levels of staff”. These two variables both came from question 28 of the questionnaire.

Factor 2: Planning - This factor was characterised by four variables: “our plans are drafted” and “then regularly reviewed and revised”, “ we provide training to assist in the effectiveness of our planning for export activities”, “we use motivational incentives to encourage good planning” and “we allocate sufficient time to formulate our planning”. All these variables came from question 28 of the questionnaire.

Factor 3: Public relations – This factor contains three variables: “visit foreign customers”, “attend international trade shows” and “invite foreign clients to visit manufacturing”. These three variables came from lines a, b and c of question 29 of questionnaire.

Table 7.7 - Rotated Component Matrix

| | Comp. | | | | |
|--|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 |
| Senior Mang Provide Planing Direction | | | | | 0.796 |
| We draw upon knowledge and exper. from different levels of staff | | | | | 0.648 |
| Our plans are drafted review and revised | | 0.577 | | | |
| We provide training to assist in the effectiveness of our planning for export activities | | 0.791 | | | |
| We use motivational incentives to encourage good planning | | 0.806 | | | |
| we allocate suf. time to formulate our planning | | 0.702 | | | |
| Visit foreign customers | | | .0818 | | |
| Attend Int. trade Shows | | | 0.786 | | |
| Invite foreign client visit manufacturing | | | 0.706 | | |
| Send out catalogues | | | | 0.709 | |
| Send free samples/gifts | | | | 0.616 | |
| Offer discounts | | | | 0.747 | |
| Advertise | | | | 0.704 | |
| There are suffic. staff in exp. depart. | 0.861 | | | | |
| Sufficient time is devoted to exp. dep. | 0.546 | | | | |
| Number of employees is enough | 0.814 | | | | |
| There is a suffic. proprot. export employees | 0.760 | | | | |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 6 iterations.

Factor 4: Advertising and Promotion - This factor was made up of four variables: “send out catalogues”, “send free samples/gifts”, “offer discounts” and “advertise”. These variables correspond to lines d, e, f and g of question 29 of the questionnaire, they were removed from the model as shown on the unrotated component matrix.

Stepwise is one of the most common and less controversial approaches to determine which independent variable should be entered into the equation. The independent variables are entered only if they meet the package’s statistical criteria. The order of entry is determined by the contribution that each variable makes to the explained variance. First the independent variables that exhibit the highest correlation with the dependent variable are entered. Then, the variable must also meet the programs criteria for inclusion in terms of the required F ratio value.

Factor 5: Human resources - The fifth and last factor was formed by four variables: “there are sufficient staff in the export department of our company”, “sufficient time is devoted to exportdepartment”, “the number of employees is enough” and finally, “there is sufficient proportion of export employees”. All these variables came from question 31 of the questionnaire.

7.5 - Test Hypothesis

Setting up and testing hypotheses is an essential part of statistical inference. The choice of a test statistic will depend on the assumed probalistic model and the hypothesis under question. Hypothesis testing permits us to infer whether variables are related to each other, and examine such relationships.

A statistical hypothesis test is an algorithm to state the alternative (for or against the hypothesis) which minimizes certain risks.

Hence, the first hypothesis to be tested in firms’ characteristics was the firm’s size.

7.5.1 - Firms Characteristics

7.5.1.1 - Firm's Size

The first hypothesis examines the effect of the size of firms, measured by the number of full-time employees, on propensity to export.

The hypothesis (H1) is stated below.

H1. Larger firms are more likely to have good international performance

Table 7.8 – Reduced Multiple Regression Analysis With a Variable Firm's Size

Dependent variable: x15_2

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|-----------|----------------|-------------|---------|
| CONSTANT | 12.8734 | 10.3761 | 1.24068 | 0.2158 |
| Country | 32.3332 | 3.53229 | 9.15361 | 0.0000 |
| x25_1 | -4.14006 | 1.68615 | -2.45533 | 0.0147 |
| x26_3 | 4.91827 | 1.72352 | 2.85362 | 0.0047 |
| x27_4 | 4.16876 | 2.08935 | 1.99524 | 0.0470 |
| fac4_1 | -5.29084 | 1.78951 | -2.95659 | 0.0034 |
| x4 | 0.0229117 | 0.0267712 | 0.855835 | 0.3929 |

X.15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

Fac4_1 = Advertising and Promotion

X4 = Firm size

As we can see in table 7.8 (Multiple Regression Analysis) the p-value for a firm's size is 0.3929 (> 0.05). Consequently, we can conclude that the larger firms do not have more propensity to export than the smaller ones. Therefore, hypothesis one was rejected.

7.5.1.2 - COMPETITIVE ADVANTAGES

Competitive advantages is our second hypothesis to be tested. It was used to test the following hypothesis: whether those among decision-makers, who have responsibilities in firms with competitive advantages, have more propensity to export.

The hypothesis (H2) is outlined as follows.

H2. Firms with competitive advantages are more likely to have good international performance.

Table 7.9 – Reduced Multiple Regression Analysis With a Variable, Competitive Advantages

Dependent variable: x15_2

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|-----------|----------------|-------------|---------|
| CONSTANT | 23.5151 | 19.267 | 1.22049 | 0.2234 |
| Country | 31.8655 | 3.80488 | 8.37489 | 0.0000 |
| x25_1 | -4.33525 | 1.70642 | -2.54056 | 0.0117 |
| x26_3 | 5.42759 | 1.78652 | 3.03808 | 0.0026 |
| x27_4 | 4.5953 | 2.12583 | 2.16165 | 0.0316 |
| fac4_1 | -5.45383 | 1.82999 | -2.98026 | 0.0032 |
| x_6_1 | 4.01894 | 3.39443 | 1.18398 | 0.2375 |
| x_6_2 | -3.00866 | 2.67538 | -1.12457 | 0.2618 |
| x_6_3 | -1.39867 | 3.57768 | -0.390944 | 0.6962 |
| x_6_4 | -0.280926 | 2.72093 | -0.103246 | 0.9178 |
| x_6_5 | -2.70254 | 2.48331 | -1.08828 | 0.2775 |

X.15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

Fac4_1 = Advertising and Promotion

x_6_1 = Product quality
x_6_2 = Ability to develop new products
x_6_3 = Ability to improve products
x_6_4 = Design of products
x_6_5 = Price

As we can see throughout the table of Multiple Regression for both countries (table 7.9)

“competitive advantages” have p-values >0.05 . The items that constitute competitive advantages are: product quality with a p-value of 0.2375 (>0.05); ability to develop new products with a p-value of 0.2618 (>0.05); ability to improve products with a p-value of 0.6962 (>0.05); the p-value of design products of 0.9178 (>0.05) and finally price with a p-value of 0.2775 (also >0.05). We can conclude that firms with competitive advantages are not more likely to have good international performance. In conclusion, hypothesis two was not accepted.

7.5.1.3 - Technology Orientation

This hypothesis measured the effects of technology intensity on the propensity to export. This was measured by the nature of production methods used in each firm: “highly labour intensive”; “labour intensive”; “equally split between labour intensive and automated”, “automated” and “highly automated”.

It was used to test the third hypothesis of this study, which states that: decision-makers, who have responsibilities in firms with intensive technology, have more propensity to export. Hence, the hypothesis (H3) is:

H3. Firms with intensive technology are more likely to have good international performance.

Table 7.10 – Reduced Multiple Regression Analysis With a Variable, Technology Orientation

Dependent variable: x15_2

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|----------|----------------|-------------|---------|
| CONSTANT | 9.35193 | 11.4154 | 0.819241 | 0.4134 |
| Country | 33.309 | 3.56965 | 9.33116 | 0.0000 |
| x25_1 | -4.18675 | 1.70559 | -2.45472 | 0.0147 |
| x26_3 | 5.03115 | 1.72455 | 2.91737 | 0.0038 |
| x27_4 | 4.49665 | 2.0562 | 2.18688 | 0.0296 |
| fac4_1 | -5.42328 | 1.79233 | -3.02583 | 0.0027 |
| x13 | 1.42811 | 1.89356 | 0.75419 | 0.4514 |

X.15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

Fac4_1 = Advertising and Promotion

X13 = Technology

The p-value of variable technology orientation is 0.4514 (> 0.05). Therefore, firms with intensive technology are not more likely to have good international performance. In conclusion, hypothesis three was rejected.

7.5.2 - Decision-Makers Objective Characteristics

7.5.2.1 – Age

Next a variable was used to test whether among decision-makers, those who are youngest, have more propensity to export. The hypothesis (H4) is stated below:

H4. Firms with youngest managers are more likely to have good international performance.

Table 7.11 –Reduced Multiple Regression Analysis With a Variable, Age

Dependent variable: x15_2

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|----------|----------------|-------------|---------|
| CONSTANT | 4.3197 | 13.72 | 0.314847 | 0.7531 |
| Country | 34.7171 | 3.85441 | 9.00711 | 0.0000 |
| x25_1 | -4.30223 | 1.68706 | -2.55013 | 0.0113 |
| x26_3 | 4.71685 | 1.74834 | 2.69791 | 0.0074 |
| x27_4 | 4.54356 | 2.06857 | 2.19647 | 0.0289 |
| fac4_1 | -5.55234 | 1.80873 | -3.06975 | 0.0024 |
| x18 | 0.206888 | 0.178769 | 1.15729 | 0.2482 |

X.15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

Fac4_1 = Advertising and Promotion

X18- Age

As can be verified, age is not a determinant for the propensity to export. The p-value is 0.2482 (then > 0.05).

In the presence of these results hypothesis H4 was not accepted. This means that the age of decision-makers does not impact on propensity to export.

7.5.2.2 - Education

The fifth hypothesis to be tested was: whether among decision-makers, those who have a higher level of education have more propensity to export.

The hypothesis (H5) is shown as follows:

H5. Firms with managers who have high levels of education, are more likely to have good international performance.

Table 7.12 - Reduced Multiple Regression Analysis With a Variable, Education

Dependent variable: x15_2

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|----------|----------------|-------------|---------|
| CONSTANT | 18.6296 | 11.0451 | 1.68668 | 0.0928 |
| Country | 33.4424 | 3.53459 | 9.46146 | 0.0000 |
| x25_1 | -3.85345 | 1.69897 | -2.26811 | 0.0241 |
| x26_3 | 4.84668 | 1.74167 | 2.78278 | 0.0058 |
| x27_4 | 4.74958 | 2.05562 | 2.31054 | 0.0216 |
| fac4_1 | -5.24848 | 1.80894 | -2.90141 | 0.0040 |
| Education | -4.87832 | 3.56696 | -1.36764 | 0.1726 |

X.15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

Fac4_1 = Advertising and Promotion

Education

The p-value for variable education is 0.1726, which is > 0.05 . Hence, the null hypothesis was accepted and the alternative hypothesis was rejected. There are no significant differences among the levels of education and their influence over the propensity to export, as it was observed.

7.5.2.3 - NUMBER OF LANGUAGES SPOKEN

This variable was to verify, whether among decision-makers, those who have a higher ability to speak foreign languages have more propensity to export than those who do not have this ability.

Hence, the hypothesis (H6) is stated below.

H6. Firms with managers who have a higher ability to speak foreign languages are more likely to have good international performance.

Table 7.13 – Reduced Multiple Regression Analysis With a Variable, Number Languages Spoken

Dependent variable: x15_2

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|-----------|----------------|-------------|---------|
| CONSTANT | 11.1962 | 11.197 | 0.999933 | 0.3184 |
| Country | 30.992 | 4.77893 | 6.48513 | 0.0000 |
| x25_1 | -4.17655 | 1.80246 | -2.31713 | 0.0214 |
| x26_3 | 4.58347 | 1.86931 | 2.45196 | 0.0149 |
| x27_4 | 5.46741 | 2.23222 | 2.44932 | 0.0151 |
| fac4_1 | -5.56489 | 1.96731 | -2.82868 | 0.0051 |
| x20 | 0.0435428 | 2.02789 | 0.021472 | 0.9829 |

X.15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

Fac4_1 = Advertising and Promotion

X20= Ability to speak foreign languages

The p-value for the variable “ number of languages spoken” is 0.9829. Therefore, the p-value is greater than 0.05.

In the presence of these results, the present study does not support hypothesis H6. There are no significant differences between those who have an ability to speak foreign languages and those who do not, in terms of their contribution to export.

7.5.2.4 – Propensity to Take Risks

The question regarding the propensity to take risks was formed using a 6 item scale and five responding options (see Appendice B2) which vary from “strongly disagree”, to “disagree”, “neither disagree or agree”, “agree” and “strongly agree”.

This hypothesis was tested to indicate whether among decision-makers, those who have higher perceptions of risk taking, have more propensity to export.

The hypothesis (H7) is shown as follows:

H7. Firms with managers, who have higher perceptions about the propensity to take risks, are more likely to have good international performance.

Table 7.14 – Reduced Multiple Regression Analysis With a Variable “Propensity To Take Risks”

Dependent variable: x15_2

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|----------|----------------|-------------|---------|
| CONSTANT | 11.3894 | 11.7771 | 0.967086 | 0.3344 |
| Country | 32.0286 | 3.57591 | 8.95676 | 0.0000 |
| x26_3 | 4.67565 | 1.85278 | 2.52358 | 0.0122 |
| x27_4 | 4.96305 | 2.06808 | 2.39984 | 0.0171 |
| fac4_1 | -5.56738 | 1.86094 | -2.9917 | 0.0030 |
| x25_1 | -3.33783 | 2.05378 | -1.62521 | 0.1054 |
| x25_2 | -3.57605 | 2.55852 | -1.39771 | 0.1634 |
| x25_3 | -1.38715 | 2.58659 | -0.536283 | 0.5922 |
| x25_4 | -1.15316 | 1.85051 | -0.623159 | 0.5337 |
| x25_5 | 4.76389 | 2.13504 | 2.23128 | 0.0265 |
| x25_6 | 0.768213 | 2.15863 | 0.35588 | 0.7222 |

X.15_2 = propensity to export
 X.26_3 = Higher cash flow needs
 X.27_4 = Exploit economies of scale
 Fac4_1 = Advertising and Promotion
 x25_1 = Incorrect market information
 x25_2 = Confusing foreign import regulations
 x25_3 = Unfamiliar foreign business practices
 x25_4 = Non-payment of goods
 x25_5 = Adverse political events overseas
 x25_6 = Possible loss of brand integrity

As can be seen through the table (7.14) the items that constitute the variable “propensity to take risks” have p-values of > 0.05 . The only exception goes to adverse political events overseas. The items studied were: incorrect market information with a p-value of 0.1054 (> 0.05); confusing foreign import regulations with a p-value of 0.1634 (> 0.05); unfamiliar foreign business practices with a p-value of 0.5922 (> 0.05); non-payment of goods with a p-value of 0.5337 (> 0.05); adverse political events overseas with a p-value of 0.0265 (p value < 0.05); and finally possible loss of brand integrity with a p-value of 0.7222 (> 0.05).

In other words, higher perceptions of risk does not mean more propensity to export. The only exception is the item “adverse political events”. Therefore, the results rejected the hypothesis (H7). In conclusion, decision-makers who have more perception of risk taking, do not have more propensity to export.

7.5.2.5 – Perception of Costs

The question about perceptions of costs has 7 item scales, and one with five scales (See appendix B2).

The eighth hypothesis was carried out to verify whether among decision-makers, those who have higher perceptions of costs, have more propensity to export.

The hypothesis (H8) is shown as follows:

H8. Firms with managers who have higher perceptions about the costs, are more likely to have good international performance.

Table 7.15 – Reduced Multiple Regression Analysis With a Variable “Perception Of Costs”

Dependent variable: x15_2

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|------------|----------------|-------------|---------|
| CONSTANT | 23.7584 | 12.7123 | 1.86893 | 0.0627 |
| Country | 29.7266 | 4.48786 | 6.62379 | 0.0000 |
| x26_3 | 4.27306 | 2.80535 | 1.52318 | 0.1289 |
| x27_4 | 4.69698 | 2.14439 | 2.19035 | 0.0294 |
| fac4_1 | -4.5891 | 1.81093 | -2.53411 | 0.0119 |
| x26_1 | -3.18084 | 2.10472 | -1.51129 | 0.1319 |
| x26_2 | -0.0906146 | 2.21399 | -0.0409281 | 0.9674 |
| x26_4 | 5.79858 | 3.1833 | 1.82156 | 0.0697 |
| x26_5 | -1.72385 | 2.4879 | -0.692892 | 0.4890 |
| x26_6 | -1.96283 | 2.37352 | -0.826973 | 0.4090 |
| x26_7 | -4.74459 | 2.3172 | -2.04755 | 0.0416 |

X.15_2 = Propensity to export

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

Fac4_1 = Advertising and Promotion

x26_1 = Higher distribution costs

x26_2 = Higher level and administrative costs

x26_4 = Higher finance costs

x26_5 = Additional payment assurance costs

x26_6 = Additional foreign exchange costs

x26_7 = Higher information costs

Six of seven items that constitute the eighth hypothesis have a p-value superior to 0.05.

They vary between 0.0416 for higher information costs to 0.9674 for higher level and administrative costs. Consequently, given these results, the eighth hypothesis is rejected.

7.5.2.6 - Profitability

This hypothesis was designed to identify whether among decision –makers, those who have higher perceptions of profitability, have more propensity to export.

The hypothesis (H9) is stated:

H9. Firms with managers who have higher perceptions about the profitability, are more likely to have good international performance.

Table 7.16 – Reduced Multiple Regression Analysis With a Variable “ Profitability “

Dependent variable: x15_2

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|-----------|----------------|-------------|---------|
| CONSTANT | 10.4098 | 15.2193 | 0.683986 | 0.4946 |
| Country | 34.6177 | 3.68648 | 9.39044 | 0.0000 |
| x26_3 | 5.71402 | 1.73583 | 3.2918 | 0.0011 |
| x27_4 | 4.62459 | 2.48557 | 1.86058 | 0.0639 |
| fac4_1 | -5.23447 | 1.82637 | -2.86605 | 0.0045 |
| x27_1 | 2.99981 | 2.96167 | 1.01288 | 0.3120 |
| x27_2 | 0.973734 | 2.95174 | 0.329884 | 0.7417 |
| x27_3 | -2.11292 | 3.0469 | -0.693466 | 0.4886 |
| x27_5 | -2.30791 | 3.56194 | -0.647936 | 0.5176 |
| x27_6 | -0.983406 | 2.36543 | -0.415741 | 0.6779 |
| x27_7 | -2.86143 | 1.84526 | -1.55069 | 0.1222 |

X.15_2 = Propensity to export

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

Fac4_1 = Advertising and Promotion

x27_1 = Overcomes a limited home market

x27_2 = Adds to the firm's overall profitability

x27_3 = Reduces the impact of domestic economic downturn

x27_5 = Allows our firm to diversify its markets

x27_6 = Gives our firm a prestigious image

x27_7 = Allows our firm to sell off surplus production

All the items that constitute the present hypothesis have p-values superior to 0.05.

The item with the lowest value is “Allows our firm to sell off surplus” while the item with the highest value is “Adds to the firm’s overall profitability” with a p-value of 0.7417.

Hence, we can conclude that there are no significant differences among the means.

Therefore, H9 is rejected. The results do not support the hypothesis. This means that decision-makers, who have higher perceptions about export profitability, do not have more propensity to export.

7.6 - Multiple Regression Analysis (Simplified)

After choosing the variables that are the most appropriate for the model, we run the stepwise multiple regression until only the variables with statistical significance at a level of 90% remain (see stepwise regression 7.2).

The following model is the simplified multiple regression model.

Table 7.17 - Simplified Multiple Regression Model

Dependent variable: x15_2 (Dependent Variable)

| Parameter | Estimate | Standard Error | T Statistic | P-Value |
|-----------|----------|----------------|-------------|---------|
| CONSTANT | 13.4271 | 10.2901 | 1.30486 | 0.1930 |
| Country | 33.1141 | 3.4776 | 9.52212 | 0.0000 |
| x25_1 | -4.38985 | 1.66575 | -2.63536 | 0.0089 |
| x26_3 | 4.9637 | 1.71851 | 2.88838 | 0.0042 |
| x27_4 | 4.61579 | 2.04006 | 2.26258 | 0.0245 |
| fac4_1 | -5.40119 | 1.78362 | -3.02822 | 0.0027 |

X15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = High cash-flow needs

X27_4 = Exploit economies of scale

fac4_1 = Advertising and promotion

Analysis of Variance

| Source | Sum of Squares | Df | Mean Square | F-Ratio | P-Value |
|---------------|----------------|-----|-------------|---------|---------|
| Model | 100256.0 | 5 | 20051.1 | 24.43 | 0.0000 |
| Residual | 222415.0 | 271 | 820.721 | | |
| Total (Corr.) | 322671.0 | 276 | | | |

R-squared = 31.0705 percent

R-squared (adjusted for d.f.) = 29.7988 percent

Standard Error of Est. = 28.6482

Mean absolute error = 23.8329

Durbin-Watson statistic = 2.09146 (P=0.2238)

Lag 1 residual autocorrelation = -0.0490009

The output shows the results of fitting a multiple linear regression model describing the

relationship between x15_2 and 5 independent variables. The equation of the fitted model is:

$$\text{x15_2} = 13.4271 + 33.1141*\text{country} - 4.38985*\text{x25_1} + 4.9637*\text{x26_3} + 4.61579*\text{x27_4} - 5.40119*\text{fac4_1}$$

X15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = High cash-flow needs

X27_4 = Exploit economies of scale

fac4_1 = Advertising and promotion

Since the P-value in the ANOVA table is less than 0.01, there is a statistically significant relationship between the variables at the 99% confidence level.

- The R-squared statistic indicates that the model as fitted explains 31.0705% of the variability in x15_2.
- The adjusted R-squared statistic, which is more suitable for comparing models with different numbers of independent variables, is 29.7988%.
- The standard error of the estimate shows the standard deviation of the residuals to be 28.6482.
- The mean absolute error (MAE) of 23.8329 is the average value of the residuals.
- The Durbin-Watson (DW) statistic tests the residuals to determine if there is any significant correlation based on the order in which they occur in the data file.

Since the P-value is greater than 0.05, there is no indication of serial autocorrelation in the residuals.

- In determining whether the model can be simplified, notice that the highest P-value on the independent variables is 0.0245, belonging to x27_4. Since the P-value is less than 0.05, that term is statistically significant at the 95% confidence level.

Consequently, any variable should not be removed from the model.

7.7 - Logistic Regression

Logistic regression is an example of a multivariate approach. It is part of a category of statistical models called generalized linear models. It is a form of regression which is used when the dependent variable is a dichotomy variable and the independents are continuous variables, categorical variables, or both. It applies maximum likelihood estimation after transforming the dependent variable into a logit. (Garson, 2000).

Hence, it estimates the probability of certain events occurring.

It predicts the probability that an indicator variable is equal to 1. It is a flexible, robust and interpretable form of multivariate analysis (Hassad, 2000).

There are two principal uses of logistic regression. One of them is the prediction of group membership. Since logistic regression is looking for the probability of success over the probability of failure, the results of the analysis come in the form of odds ratio. The other is to provide knowledge of the relationships and strengths among the variables.

In our present case, Logistic Regression is designed to show if the choice of a country is associated with the propensity to export, taking into account independent variables

for X.25.1; X.26.3; X.27.4; X.27.7 and fac4_1.

Dependent variable: Country

Factors:

x15_2

x25_1

x26_3

x27_4

x27_7

fac4_1

7.7.1 - Estimated Regression Model (Maximum Likelihood)

As we can see throughout the next table (Logistic Regression Model), the positive estimate for X.15.2 (propensity to export) reveals that Portugal has a higher propensity to export (Portugal = 1; U.Kingdom = 0).

Table 7.18 - Estimated Regression Model (Maximum Likelihood)

| Parameter | Estimate | Standard Error | Estimated Odds Ratio |
|-----------|-----------|----------------|----------------------|
| CONSTANT | -1.57977 | 0.876268 | |
| x15_2 | 0.0377589 | 0.00491817 | 1.03848 |
| x25_1 | 0.0454573 | 0.140342 | 1.04651 |
| x26_3 | -0.374987 | 0.14533 | 0.687298 |
| x27_4 | 0.0418285 | 0.171495 | 1.04272 |
| x27_7 | 0.2174 | 0.150137 | 1.24284 |
| fac4_1 | 0.245223 | 0.155872 | 1.27791 |

X.15_2 = Propensity to export
 X.25_1 = Incorrect market information
 X.26_3 = Higher cash flow needs
 X.27_4 = Exploit economies of scale
 X.27_7 = Allow our firms to sell off surplus production
 Fac4_1 = Advertising and Promotion

Analysis of Deviance

| Source | Deviance | Df | P-Value |
|---------------|----------|-----|---------|
| Model | 84.01 | 6 | 0.0000 |
| Residual | 298.593 | 269 | 0.1038 |
| Total (corr.) | 382.603 | 275 | |

Percentage of deviance explained by model = 21.9575

Adjusted percentage = 18.2984

7.7.2 - Likelihood Ratio Tests

The likelihood ratio tests, also called log-likelihood, is a test of the significance of the difference between the likelihood ratio (-2LL) for the researcher's model minus the likelihood ratio for a reduced model. The purpose of Likelihood is to identify whether the independent variables are individually significant in explaining the propensity to export.

Likelihood Ratio Tests reveal that X.15.2 is significantly related to the propensity to export since its p-value is inferior to 0.05 (< 0.05). Besides, X.26.3 is also significantly related to the choice of country. (See next table)

Table 7.19 - Likelihood Ratio Tests

| Factor | Chi-Square | Df | P-Value |
|--------|------------|----|---------|
| x15_2 | 77.9627 | 1 | 0.0000 |
| x25_1 | 0.10498 | 1 | 0.7459 |
| x26_3 | 6.91779 | 1 | 0.0085 |
| x27_4 | 0.0595466 | 1 | 0.8072 |
| x27_7 | 2.12522 | 1 | 0.1449 |
| fac4_1 | 2.52991 | 1 | 0.1117 |

X.15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

X.27_7 = Allow our firms to sell off surplus production

Fac4_1 = Advertising and Promotion

The output shows the results of fitting a logistic regression model to describe the relationship between Country and 6 independent variable(s). The equation of the fitted model is:

$$\text{Country} = \exp(\eta) / (1 + \exp(\eta))$$

Where $\eta = -1.57977 + 0.0377589 \cdot x15_2 + 0.0454573 \cdot x25_1 - 0.374987 \cdot x26_3 +$

$0.0418285 \cdot x27_4 + 0.2174 \cdot x27_7 + 0.245223 \cdot \text{fac4_1}$

X.15_2 = Propensity to export

X.25_1 = Incorrect market information

X.26_3 = Higher cash flow needs

X.27_4 = Exploit economies of scale

X.27_7 = Allow our firms to sell off surplus production

Fac4_1 = Advertising and promotion

Taking into account that the P-value for the model in the analysis of the deviance table is less than 0.01, there is a statistically significant relationship between the variables at the 99% confidence level. Furthermore, the P-value for the residuals is greater than or equal to 0.10, indicating that the model is not significantly worse than the best possible model for this data at the 90% or higher confidence level.

The table also shows that the percentage of deviance in Country explained by the model equals 21.9575%. This statistic is similar to the usual R-squared statistic. The adjusted percentage, which is more suitable for comparing models with different numbers of independent variables, is 18.2984%.

Verifying whether the model can be simplified, notice that the highest P-value for the likelihood ratio tests is 0.8072, belonging to x27_4. The P-value is greater or equal to 0.10, that term is not statistically significant at the 90% or higher confidence level. Therefore, the variable X27_4 should be removed from the model.

7.8 - Reduced Logistic Regression

Reduced Logistic Regression (Step-Wise) reveals that the choice of country (Portugal = 1 and UK = 0) is significantly associated to propensity to export (X.15.2, X.26.3 and fancy_4).

The variable X.15_2 has a positive coefficient (0.0354857), associating a high propensity to export with Portugal and not the United Kingdom (See next table).

Reduced Logistic Regression

Dependent variable: Country

Factors:

x15_2

x26_3

fac4_1

X.15_2 = Propensity to export

X.26_3 = Higher cash flow needs

Fac4_1 = Advertising and Promotion

7.8.1 - Estimated Regression Model (Maximum Likelihood)

The coefficient estimate in the logistic regression for X.15_2 is positive (0.0372499), and so a higher propensity to export is associated with Portugal. The control variables are X.26_3 and fan4_1, which is significant statistically related to the choice of country at the 95% confidence level.

Table 7.20 - Estimated Regression Model (Maximum Likelihood)

| Parameter | Estimate | Standard Error | Estimated Odds Ratio |
|-----------|-----------|----------------|----------------------|
| CONSTANT | -0.808786 | 0.473916 | |
| x15_2 | 0.0372499 | 0.00472629 | 1.03795 |
| x26_3 | -0.341936 | 0.141136 | 0.710394 |
| fac4_1 | 0.300873 | 0.146309 | 1.35104 |

X.15_2 = Propensity to export
X.26_3 = Higher cash flow needs
Fac4_1 = Advertising and Promotion

Analysis of Deviance

| Source | Deviance | Df | P-Value |
|---------------|----------|-----|---------|
| Model | 83.6369 | 3 | 0.0000 |
| Residual | 311.453 | 281 | 0.1022 |
| Total (corr.) | 395.09 | 284 | |

Percentage of deviance explained by model = 21.1691. This variation value (21.1691 %) in the log of the odds ratio associated with the propensity to export, is explained by the independent variables.

Adjusted percentage = 19.1442

7.8.2 - Likelihood Ratio Tests

The p-value of the likelihood ratio tests for X.15.2 is 0.0000 (< 0.05). It is then significant at the 95% confidence level. The same happens with X.26_3 and fanc4_1.

Their p-values are respectively 0.0137 (< 0.05) and 0.0370 (also < 0.05).

The independent variable X.26_3, is statistically significant. It shows that Portugal has a greater propensity to export with 95% confidence level. The likelihood ratio p-value is lower than 0.05 (< 0.05) being it 0.0137. The same happens with the variable fancy4_1, whose p-value is 0.0370 (< 0.05). However, the coefficient estimate in the logistic

regression for X.26_3 is negative -0.341936). This means a high value for X.26_3 is associated with the United Kingdom and not Portugal .

7.21 - Likelihood Ratio Tests

| Factor | Chi-Square | Df | P-Value |
|--------|------------|----|---------|
| x15_2 | 82.5275 | 1 | 0.0000 |
| x26_3 | 6.07209 | 1 | 0.0137 |
| fac4_1 | 4.34806 | 1 | 0.0370 |

X.15_2 = Propensity to export

X.26_3 = Higher cash flow needs

Fac4_1 = Advertising and Promotion

The output shows the results of fitting a logistic regression model to describe the relationship between Country and 3 independent variable(s). The equation of the fitted model is:

$$\text{Country} = \exp(\eta) / (1 + \exp(\eta))$$

$$\text{Where: } \eta = -0.808786 + 0.0372499 * x15_2 - 0.341936 * x26_3 + 0.300873 * fac4_1$$

X.15_2 = Propensity to export

X.26_3 = Higher cash flow needs

Fac4_1 = Advertising and Promotion

Because the P-value for the model in the Analysis of Deviance table is less than 0.01, there is a statistically significant relationship between the variables at the 99% confidence level. Furthermore, the P-value for the residuals is greater than or equal to 0.10, indicating that the model is not significantly worse than the best possible model for this data at the 90% or higher confidence level.

The table also shows that the percentage of deviance in Country explained by the model equals 21.1691%. This statistic is similar to the usual R-squared statistic. The adjusted percentage, which is more suitable for comparing models with different numbers of independent variables, is 19.1442%.

Checking whether the model can be simplified, notice that the highest p-value for the likelihood ratio tests is 0.0370, belonging to `fac4_1`. The p-value is less than 0.05, being statistically significant at the 95% confidence level.

Therefore, no variable should be removed from the model.

7.9 – Summary

The analytical technique applied was multiple regression analysis relative to the variables connected to firm's characteristics. As can be confirmed throughout the analysis of hypothesis one (H1 – firm's size); hypothesis two (H2 – competitive advantages) and hypothesis three (H3 – technology orientation), all (the multiple regression analyses of these three hypothesis) having p-values superior to 0.05. Consequently, all the hypotheses were rejected and the null hypothesis confirmed. This suggests the size of the firms, competitive advantages and technology orientation are not determinants in their propensity to export.

Decision-makers' subjective characteristics – Again, multiple regression analysis was the analytical technique applied to check hypothesis seven (propensity to take risks), hypothesis eight (perception of costs) and hypothesis nine (profitability). The multiple regression of these three hypotheses had p-values superior to 0.05. Consequently, all the hypotheses were rejected. This means that any one of them could have been a determinant in the decision-makers propensity to export.

Finally, the tenth hypothesis (Commitment) was tested with multiple regression analysis and principal component analysis method.

A reduced logistic regression (stepwise) was carried out. It reveals the followings conclusions:

Portugal has more propensity to export; it is coefficient with X.15_2, positive (0.0372499).

The control variables are X.26_3 and fan4_1, which is significant statistically related to the choice of country at 95% confidence.

Finally, the independent variables explain 21.1691% of the variation in the log of the odds ratio associated with the propensity to export.

The next chapter presents the conclusions of this study and discusses a number of research limitations. Avenues for future research are also presented along with the areas of most interest.

CHAPTER EIGHTH – Summary Conclusions

8.1 - Introduction

As we have seen over the extensive literature review undertaken in Chapter 4, the decision-maker is the fundamental element in a firm. He/she is the person who makes all the decisions connected with exporting. It is therefore crucial to know their objective and subjective characteristics in order to have a deep understanding of the phenomenon. Furthermore, the firm's characteristics were analysed, because they are also important in this process of internationalisation, and both are determinants in the propensity to export. The objective of the present chapter therefore, is to summarise the principal characteristics of both firms and decision-makers the determinants to the process of internationalisation in SME(s) textile, clothing and knitwear sectors. The chapter continues with conclusions, limitations, implications for managers and policy makers, and finally directories for further research.

8.2 – Conclusions of the Study

8.2.1- Introduction

This section is devoted to the presentation of our research's concrete conclusions. They will be present in the following order: firstly the research aims are stated, followed by the summary of conceptualisation and general conclusions; from the general conclusions follows the theoretical discussions of the results in the context of previous literature, findings obtained in the present work and statistical results; next, the principal limitations of the thesis followed by the main recommendations and implications and contributions of the research; finally, appointed directions for future research are outlined.

8.2.2 – Research Objectives and Summary of Conceptualisation

8.2.2.1- Research Aims

The aims and purpose of the present research were referred to in Chapter 1. However, they will be referred to again in order to have a contextualisation as well as an adequate and deep reflection about them. They are summarised into six key themes and presented in the following way.

The first objective of the present study was to test hypotheses of firm and decision-maker characteristics in order to provide a clear understanding of how they influenced export behaviour in the SME(s) textile, clothing and knitwear sector.

The second objective was to develop an appropriate model to explain explain which were the determinant factors for export performance in textile, clothing and knitwear sectors.

The third objective was an attempt to verify whether there were differences between Portuguese and United Kingdom decision-makers, and to develop a profile of decision-makers of the SME(s) in the sectors studied.

The fourth objective required a critical review of the existing literature, in order to identify the most relevant firm and management characteristics associated with the propensity to export. In spite of the existence of a lot of literature related to the subject, sometimes it is dispersed and should be brought together in order to be more meaningful and provide deeper understanding.

Finally, the last objective was to provide information available in all parts involved in this process, in order for all benefit from it.

8.2.2.2- Summary of Conceptualisation

An extensive literature review was conducted by the author, where the most significant aspects concerning theoretical perspectives on textile, clothing and knitwear industry, SME(s) exporting, theories of internationalisation of SME(s), firms' characteristics and objective and subjective decision-maker characteristics were examined. These findings can be found in Chapters 2, 3, and 4 respectively. In Chapter 4 a model was developed exploring a basis for explaining the connections between firm and decision-maker characteristics and their impact on the propensity to export. This was achieved through proposing a sequence of hypotheses, which was tested in the present research .

In Chapter 2 an overview of the principal characteristics of the textile and clothing industry was carried out, and the importance of the industry for the economy of developed and developing countries was highlighted. Finally, the importance of the industry to the commercial balance was commented on.

In Chapter 3 the importance and the contributions of the SME(s) to the growth, development and prosperity of countries were reviewed. In addition, several definitions of SME(s) were reviewed according to the most relevant authors and institutions. Finally, the principal advantages and disadvantages of SME(s) were discussed.

Next, an overview of the major theoretical approaches to the study of internationalisation of the firms were introduced. These presented the principal theories that most contribute to the process of internationalisation of SME(s). They are the eclectic paradigm, Uppsala School/psychic distance, network theory and finally international entrepreneurship. Furthermore, the principal criticism of each theory have put forward, as well as the support and acceptance that each theory has received, and their limitations and contributions to the process of internationalisation of SME(s).

Finally, the role of the firms and decision-makers characteristics in the process of internationalisation of firms was discussed. The firm and decision maker-characteristics construct was composed of several distinct elements. For firm characteristics the elements of interest were firm size, competitive advantages and technology intensiveness.

Firstly, it was anticipated that larger firms were more likely to have a higher propensity to export than the smaller ones. This argument constituted the basis for (H1).

Secondly, it was hypothesised that firms with competitive advantages were more likely to have higher propensity to export (H.2).

Thirdly, it was proposed that firms with technology intensiveness were more likely to have higher propensity to export. This final characteristic gave origin to (H.3).

Decision-Maker characteristics were considered at objective and subjective levels. The objective characteristics were conceptualised around the variables of decision-makers age, levels of education, and ability to speak foreign languages.

Firstly, it was conceptualised that firms with the youngest managers were more likely to have higher propensity to export. This argument constituted the basis for H.4.

Secondly, it was anticipated that firms with managers, who have high levels of education, were more likely to have a higher propensity to export. This issue constituted the basis for H5.

Thirdly, firms with managers, who have a higher ability to speak foreign languages, were more likely to have a higher propensity to export. This argument constituted the basis for H6.

Finally, the issues connected to subjective decision-maker characteristics were conceptualised around their perceptions, of their perceptions of the propensity to take risks

in exporting H7, perceived cost in exporting (H8), perceived profits in exporting (H9), and finally the issue connected to resources commitment. All these four issues were conceptualised to contribute to the propensity to export.

All of these factors that form the independent variables are brought together into two broad groups of variables in the model that is referred to above:

The firms' characteristics and the decision-makers' characteristics.

Chapter 5 reviewed the theoretical and applied methodological issues connected with the approach followed in the research. In addition, it discussed the different types of research strategy with the objective of finding the most suitable, for the aims and characteristics of our thesis. Next, we discussed the different kinds of theoretical research designs in order to find the one which reflected more of the characteristics of our study. Then, it was discussed theoretically how we would implement the questionnaire development process which was developed in an eight step approach. Finally, it was discussed the research methodology followed in statistics analysis.

Next, in Chapter 6, the principal findings resulting from our research were introduced. Hence, the empirical results and respective analyse were reviewed and carried out. The characteristics of Portuguese and United Kingdom respondents as well as the percentage of responses obtained in the questionnaire were identified. In addition, he descriptive statistics connected with the results were presented.

Finally, in Chapter 7, an exhaustive theoretical development related to the statistical techniques used in this research was undertaken. The preference for parametric tests compared with non-parametric tests was also referred to.

The multivariate techniques employed by us were correlations, principal component analysis and multiple regression analysis.

These methods were employed to test the 10th hypotheses, referred to before, which will be considered in detail in the next section called general conclusions.

8.3 - General Conclusions

8.3.1-Theoretical Discussion of the Results in the Context of Previous Literature

The term internationalisation has received many definitions according to different schools. Hence, a single definition, universally accepted, remains elusive (Young 1987; Welch and Luostarinen 1988; and Whitelock and Munday 1993). Internationalisation literature tends to focus on large multinational firms and not on SME(s). The principal theories are based on concepts which come from behavioural and economic theories. For example transaction cost theories and the eclectic paradigm is derived from economic and stages theory, and network theory are related to behavioural theories (Saarentakos et al., 2001). Furthermore, the eclectic paradigm focuses on MNEs and not on SME(s). Hence, it seems to be of very limited value in analysing and understanding the process of internationalisation of SME(s).

Traditional theories of internationalisation have also been criticised for their low contribution to the process of internationalisation of SME(s). Hence, Hedlund and Kvernelend (1983) question some of the assumptions that provide theoretical support to the theories, especially in view of changes in the international business environment and in the company's ability to manage international operations. Furthermore, the sequential process of internationalisation has weak empirical support, due to the methodological limitations of previous studies. In addition, Turnbull (1987) argues that the measure of internationalisation is conceptually difficult, particularly in multi-products and multi-divisional firms, where export dependence, number of export markets served and export structure vary, across and among business units. Next, the theory has been criticised because it is not able to explain internationalisation complexity since at times firms may

jump stages and begin internationalisation by setting on a subsidiary (Gankema et al., 2000). Finally, Stradskov (1986) acknowledge that the Uppsala step-by-step model is perfectly valid in the case of a nonlinear process of evolution of internationalisation. However, in the case of the cycle process of evolution, a successive transformation to stages of higher complexity and differentiation, this incremental process is too rigid.

The Network Approach to Internationalisation has been criticised because in more advanced economies the difficulties increase. Kinch (1992) tends towards long established and stable relationships. Furthermore, the model does not acknowledge the importance of the decision-makers and the firms' characteristics indispensability to estimate the international opportunities that emerge from the networks (Chetty and Holm, 2000).

Finally, international entrepreneurship is a new phenomenon and, in spite of entrepreneurship research being conducted by schools around the world, there is very little comparative research.

8.3.2 - Comparative Analysis of Portuguese and United Kingdom SME(s)

8.3.2.1 - Empirical Results

Comparison of Portuguese and UK firms were undertaken across a range of characteristics, as presented in Chapter 6.

Firm characteristics - age of the firms, number of years exporting, number of countries to which the companies export, number of full time (or full time equivalents) employees, number of employees directly involved in exporting department, ability to develop/produce and improve products, describing strength patent/licence/design and copyright firms, describing of number new products developed by firms, existence of quality control in firms, how the firms consider their quality control department, how the decision-makers

described their production methods, new production methods utilised by decision-makers in the last three years, exports as percentage of turnover for firms, total of sales over the last five years.

Objective decision-makers' characteristics - age of decision-makers, qualifications of decision-makers, knowledge of foreign languages spoken by decision-makers, number of decision-makers having lived abroad, number of years that the decision-makers have lived in foreign countries, countries where decision-makers were born.

Subjective decision-makers' characteristics - perceptions of costs by decision-makers, perceptions of benefits from exporting by decision-makers, foreign commitment by decision-makers.

Others - international promotion, promotion by decision-makers, percentage of export sales spent on international promotion by firms, existence or not of export department in firms.

Having analysed the differences and similarities between responding firms in the two countries, across all the variables referred above, it can be concluded that the similarities are greater than the differences. However, there are some differences between the two countries that deserve to be highlighted and they are the age of the firms, number of years exporting, number of countries to which they export, number of full time employees employed, export as a percentage of turnover, increase/decrease of sales in the last five years, age of decision-makers and finally the number of foreign languages spoken.

Having referred to the most significant differences between the two countries, each one will be further analysed in detail below.

8.3.2.2 - Firms

In the United Kingdom the firms have operated for more years than the Portuguese ones. The former operates in mean terms around 55 years, while the later ones operate in mean terms for only around 26 years. United Kingdom firms exports in mean terms around 29 years, while the Portuguese ones operates in mean terms for around 19 years.

The number of countries to which United kingdom firms export vary according to the number of countries they export to, while the Portuguese' firms prefer to export to a very small number of countries.

The number of full time employees employed in the United Kingdom work in small firms, while in Portugal the numbers of employees is distributed between the three groups. United Kingdom firms employed on average 16 employees while the Portuguese ones 16.

The export as a percentage of turnover in the United Kingdom is roughly around 32% while in Portugal it is in mean terms around 67%. In addition, in the last five years, Portuguese firms acquired more new production methods than the UK firms.

8.3.2.3 - Objective Decision- Makers' Characteristics

The United Kingdom decision-makers are older than the Portuguese ones but the Portuguese are better in foreign languages, and know more foreign languages.

8.3.2.4 - Factors Influencing the Propensity to Export

There are two categories of internal determinants that explain the propensity of firms to export. They are a firms' characteristics and the objective and subjective decision-makers' characteristics.

Firms' Characteristics

Firm's size - In the present research the first hypotheses to be examined was to know if the firm's size is, or is not a determinant for the propensity to export.

Multiple regression analysis was the analytical technique applied to check whether or not a firm's size is responsible for the propensity to export. As can be seen throughout table 7.3 the p-value of a firm's size is 0.3929 (> 0.05). We can then conclude that the larger firms do not have more propensity to export than the smaller ones.

In conclusion, the size of the Portuguese firms is not responsible for the propensity to export. This finding is consistent with conclusions arrived at in previous research evidence, such as the studies of Child (1974); Hirsch (1970); McDougall and Stening (1975); Bilkey and Tesar (1977); McGuinness and Little (1981); Reid (1982); Czinkota and Johnson (1983). All these studies concluded that there is not relationship between export performance and size.

However, problems could occur with this variable. There are different ways in which firm size is operationalised in the various studies.

Competitive Advantage - In order to understand if a firm's competitive advantage is a determinant of the propensity to export, it was decided to test this hypothesis. The multiple regression analysis was the implemented test statistic.

As can be seen in Table 7.4, this variable is formed by 4 items: X_6_1 - product quality (p-value = 0.2375); X_6_2 – ability to develop new products (p-value= 0.2618); X_6_3 – ability to improve products (p-value =0.6962); X_6_4 – design products (p-value = 0.9178) and X_6_5 - price (p-value =.2775). All of them have p-values superior to 0.05.

In the presence of these values, we can conclude that firms with competitive advantages are unlikely to have a bigger international performance.

Technology Orientation - The third hypotheses tried to test if there were any relationships between technology orientation and propensity to export. Again multiple regression analysis was the statistic test utilised (table 7.10). The variable X13 (technology orientation) presents a p-value superior to 0.05. The p-value of technology orientation is 0.4514.

Given these results the hypotheses H.3 was rejected.

In developed countries, technology could be an important source of competitive advantage. However, in less developed countries, the low cost of labour may be more important.

In favour of a non relationship, and/or a poor relationship between technology intensives and propensity to export are Reid (1986) and Bell (1995).

8.3.2.5 - Summarising – Multiple regression analysis was the technique applied to the data firms' characteristics. Hence, it was used to evaluate the differences in the level of firm size (H1), competitive advantage (H2) and technology orientation (H3).

All the hypothesis studied were rejected. This means, a firm's size (H1), competitive advantage (H2) and technology orientation (H3) were not determinants in the propensity to export for the firms under study.

8.3.2.6 - Decision-Maker Characteristics

The age of decision-makers was one of the variables analysed in order to understand if it has or has not influenced their decisions, and therefore in the propensity to export.

Multiple regression analysis was the technique applied to test this hypothesis (See table 7.11). The p-value for the variable education is 0.1726 (> 0.05).

This indicates that the age does not interfere in the propensity to export. Hence, the hypothesis was rejected.

This finding is consistent with the work of Reid and Mayer (1980). According to the authors, the results should be treated with caution and they disagree with Pinney (1970) when he affirmed that younger managers tend to be more internationally minded than older ones.

Number of Languages Spoken - The number of languages spoken by the decision-makers was evaluated in order to understand whether the decision-makers who speak to more languages have more propensities to export. The multiple regression analysis was the implemented test. The result obtained for the p-value of the variable "Number of languages spoken" was 0.9829 (> 0.05).

The conclusion arrived at was that there were no significant differences among those who have abilities to speak to foreign languages and those who do not. **In conclusion**, the hypothesis was rejected. This means that languages are not very important in the process of internationalisation of firms.

This finding is consistent with the works carried out by Liston and Reeves (1985) and BOTB (1979). According to them linguistic abilities and their impact on export

performance have caused considerable discussion. Furthermore, a report by the Royal Society of Arts(1979) resulted in mixed findings.

Propensity to Take Risks - Again multiple regression analysis was the test chosen to determine if the propensity to take risks by the decision-makers had influenced their propensity to export. The p-value for the variable “propensity to take risks” is for all the items superior to 0.05. The only exception goes to the item X25_5 – “adverse political events overseas” whose p-value is 0.0265.

Thus, decision-makers who have more perception about risk-taking do not have more propensities to export.

Perception of Costs - The next variable to be carried out was the perception of costs. Again multiple regression analysis was the statistical method chosen (See table 7.15). The items that constituted the variable “ perceptions of costs” presented p-values superior to 0.05. The only exception goes to higher information costs ($p = 0.0416$)

Thus, the conclusion achieved was that there were no significant differences among those who have higher perceptions about the perception of costs than others. Consequently, the hypothesis was rejected. This means, firms with managers, who have higher perceptions about the costs, are not more likely to have good export performance.

Profitability - Profitability was another variable tested to verify whether among decision-makers, those who have higher perceptions about profitability, have more propensity to export. Again the test chosen was multiple regression analysis. Again all the items that constituted the variable “profitability “ presented p- values bigger than 0.05 (see table 7.16).

The conclusion arrived at was thus that among decision-makers', those who have higher perceptions about profitability, did not have more propensity to export. Hence, the hypothesis was rejected.

This finding is consistent with evidence coming from the studies of Graueda and Dicer (1973). Furthermore, another study of 497 Danish, Dutch and Israel manufacturing firms supports the former point of view. Finally, in spite of a more optimistic point of view are the studies of Tookey (1964), Barnhart (1968) and Sinai (1970). According to the former authors exporting contributed little to profit firms.

Commitment - Principal component analysis was the statistical technique selected to reduce the data. However, before running factorial analysis of components, the KMO and Bartlett test was carried out to check if it makes sense to carry out the factorial analysis of components. The results obtained in this test were KMO 0.727 (> 0.5) and Bartlett test 0.000 (< 0.05). Both tests showed that the factorial analysis of components could be carried out.

Hence, the next step was to choose the method that determined the number of factors to be extracted. In our case we decided by Latent Root Criterion. Five factors were extracted because they have eigenvalues greater than 1 and represented 61% of the total variance explained among the variables.

Next, the component matrix was carried out. The aim excluded complex variables, meaning the variables that have loadings (correlations) on more than one factor and made the interpretation of the output difficult. After carrying this out the variable 17 was removed (our staff are trained in international activities).

The KMO and Bartlett test were again repeated but now with only 17 variables. The results were 0.753 for KMO (> 0.05) and 0.000 for the Bartlett test. With these results the study was followed.

Then, the Latent Root Criterion was carried out in order to choose the five factors in an Unrotated Component Matrix . Five factors were extracted with 17 variables.

Finally, the Rotated Component Matrix was carried out in order to get greater clarity and therefore better results. Hence, 5 factors were extracted confirming the 5 factors extracted on unrotated solution. These factors are: decision-making; planning; public relations; advertising and promotion; and finally human resources.

8.3.2.7 - Decision-Makers' Objective Characteristics.

The analysis of multivariate regression analysis was used to evaluate the differences in the ages of decision-makers, level of education, and number of languages spoken. According to the findings, we can affirm that the age, level of education, ability to speak foreign languages of decision-makers are not responsible for the propensity to export.

8.3.2.8 - Decision-Makers' Subjective Characteristics.

Again, the analysis of multivariate regression analysis was used to evaluate the difference in the level of risk perception, perception of costs and finally profitability. Again and according to the results obtained, we can affirm that decision- makers' who have more risk perceptions, a perception of costs and higher perceptions about export profitability do not have more propensity to export.

Finally, looking at commitment, the variables from planning, promotional international and involvement in export departments (question 25, 26 and 28) were subjected to a factor analysis with varimax rotation with Kaiser Normalisation. Hence, the Kaiser-Meyer-Olkin (KMO) test and Bartlett test of sphericity were carried out initially with 18 variables. Latent Root Criterion was the method chosen to determine the number of factors to be extracted.

8.4-Summary and Conclusion

The purpose of the current study was to identify the firms' and decision-makers' characteristics that allowed them to have an active activity in exporting.

On the basis of the study, it can therefore be concluded that anyone of the variables are of considerable importance for export performance.

8.5 - Limitations of the Present Research

There are, unavoidably, a number of innate limitations reported in this work, which should be interpreted with caution. The general findings offer implications subject to the following aspects of the research being noted.

Firstly, this study was restricted to manufacturing firms of the textile, clothing and knitwear sector carried out in Portugal and the United Kingdom. Excluded from the study were firms with less than 20 employees and more than 250 employees.

Secondly, the quantity of studies about this specific area are extremely rare, principally about decision-makers' subjective characteristics.

Thirdly, there appears to be no known study in this specific area, which compares the characteristics of Portuguese and United Kingdom decision-makers.

Fourthly, this is an area where it is extremely difficult to validate the questions due to the subjectivity of the questions used.

Fifthly, technology orientation is not responsible for the propensity of the firms to export. However, the results should also be taken with certain reservations because there are firms that compete on the base of technology intensiveness and other in cheap labour. These two specific areas were not considered in detail in the present study.

Sixthly, the hypothesis propensity to speak foreign languages was not accepted. This means that languages are not very important in the process of internationalisation of firms. However, everybody knows about their importance. This is due in one country in study having English as their first language. Hence, any interpretation of the main effects must be undertaken with some precautions.

Seventhly, another precaution should be taken into consideration: United Kingdom decision-makers referred to the pound as being very strong, and this has substantially, limited United Kingdom exports. This worry was referred to by several United Kingdom decision-makers, in the open question, presented at the end of the questionnaire. Indeed the contingency of exporting on exchange rates could be a new aspect of export performance.

Eighthly, there is another extremely important aspect that should be taken into consideration when management is contracted to develop and implement his/her policy of internationalisation. However, a management that has already developed a policy of internationalisation can present problems. For example if the original management of the policy of internationalisation is no longer available.

Ninthly, the conclusions arrived at in this study should be limited only to these two countries and at these specific sectors. Any attempt to draw parallels and generalise the findings in other sectors and in other countries needs to be undertaken with caution.

Tenthly, the problems and issues in assessing how to measure export performances are very far from consensual. In our case we measure export performance by the ratio of export sales to total sales. However, other measures could be considered and should be included in future studies.

Finally, attempts to generalise from the present findings should be made cautiously. Realistically, generalisations of the study findings may be applicable to those exporting frameworks with similar structural characteristics and export marketing contingencies. Research efforts involving dynamic phenomena such as firm performance in export markets may demand temporal studies.

8.5.1 - Limitations of Using Export Firms Only

We have divided the sector into exporters and non-exporters. Although some companies fall between the two.

In our research we studied only export firms. Thus, we could understand which characteristics characterised the firms and decision-makers studied in this specific sector and in these two specific countries. However, we can not generalise about these characteristics in other sectors nor in other countries.

Research on differences between exporters and non-exporters can be regarded as a simplification of models explaining the internationalisation process – when they are not (Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982 and Reid, 1981).

For example building on Bilkey and Tesar's (1977) six stage model, Sharkey, Lim and

Kim developed a three stage model.

Stage one: Non-exporters – those who had never exported

Stage two: Marginal exporters – those who are exploring exporting, and have learned the basic of the export process (Bilkey, 1978).

Stage three: Active exporters – they have mastered the technicalities of exporting.

Finally, the lessons emerging from corporations established from their inception to serve foreign markets (hereafter referred to as “innate exporters”) are different from the lessons coming from those companies that first served domestic markets and later included foreign markets (referred to as “ adoptive exporters”). Innate and adoptive exporters are different in terms of their respective assessment processes, managerial attitudes and risk profiles (Culpan. 1989). All of these different approaches were taken in consideration when we analysed the export firms.

Besides these specific issues, limiting aspects of the research design and methodology should be noted.

8.5.2 - Research Design Limitations.

Another kind of limitation is one that is concerned with research design. More precisely the study uses a **cross – sectional approach**. These kind of explanatory studies do not allow further understanding of causal problems that occur over time (Babbie, 1995). Furthermore, their conclusions are based on observations made at a single point in time and do not allow for changes that occur over time. In addition, these studies are limited by the amount and accuracy of the information that individual respondents can honestly report about the groups that they represent (Royce and al. 1988). Of course inferences about the

logical relations among variables and respondents can be made, but the results are fallible (Royce et al. 1988).

8.5.3 - Methodological Approach Limitations

The last limitation is connected with methodological approach. This methodological approach involved the following issues.

Firstly, in spite of the questionnaires to be sent to the persons responsible for the exports in each firm, there is the possibility of a response bias. In order to prevent this, all the necessary precautions were taken, as was referred to in Chapter 5.

Secondly, as was also referred to in Chapter 5, the questionnaire was elaborated by having been based on all the literature reviews and the consultations of different questionnaires connected to this specific area and used by other authors in former studies. Hence, it was not operationalised and implemented in order to go further “relatively” to the former questionnaires. This constitutes a limitation to the present study and does not allow it to go further relative to former studies.

Thirdly, in the questionnaire several measures were used to measure the subjective characteristics of decision-makers. As it is known these measures are extremely difficulties to evaluate, not only in terms of validity, but also in terms of reliability, as it is understood that behaviour changes over time. Everything was done to reduce these behaviours, and minimise possible subjective answers.

Fourthly, testing the external validity of our findings would ideally necessitate replication of this study within other countries and/or industries.

Fifthly, although a significant number of variables were included in the study, other ones could be included and with more impact in the propensity to export, that were not included, such as: variables connected with environment issues, profitability, risk and more variables connected with subjective decision makers' characteristics.

Finally, it is extremely difficulty to measure profitability and few studies have examined this (Cavusgil, 1984) and (Madsen, 1989). Hence, any interpretation of the main results must be undertaken with some precaution.

8.6. – Implications and Recommendations of the Study

8.6.1 - Introduction

This study makes significant theoretical contributions to relevant areas of the literature and makes several implications/recommendations for those involved in business overseas.

A number of recommendations come from the findings and conclusions of the present work and are divided into three main areas: theoretical implications, empirical point of view, and recommendations to the Universities and Institutes.

In our research findings there are a vast number of implications for policy makers, managers and researchers that can be drawn from the present study and are discussed in the following sections.

8.6.2– Theoretical and Practical Implications of the Findings

8.6.2.1 - Theoretical Implications

From a theoretical point of view, this study offers several implications.

Firstly, as we have seen in Chapter 4 any one of the theories is able to explain the phenomenon of internationalisation properly. Each one of them provides only limited insights. However, the contradictions are also evident. Hence, when we examined each one independently, any one of them fully describes or explains the complexity of internationalisation process. Furthermore, any one of them answers the questions faced by today's managers. If any one of the schools of research answer these doubts, the key suggestion is that researchers should have these in consideration and build a model that could answer these questions conceptually, empirically and methodologically. The world is changing too quickly and the researches needs to develop at the same speed. Conceptually, new theories and variables should be introduced and tested and others developed. Conceptual models that integrate network variables should be developed in future research. The theory of international entrepreneurship needs to be employed in order to answer new problems that arise from the globalisation of the firms. Methodologically, the SME(s) internationalisation literature is under the influence by positivist research. This means there is an effort to confirm or disprove existing models through testing of quantitative data.

Secondly, the study highlights the importance of decision-makers' objective and subjective characteristics. Very few studies have taken these factors in consideration. They are fundamental in the process of internationalisation of SME(s). Hence, they might be key factors in the process of internationalisation of SME(s).

Thirdly, in the present study the export performance (propensity to export) was measured by the percentage of sales to foreign markets relatively to total sales. In future studies, it

will be important to use more than one means of measuring export propensity. There are measures that prove to be more adequate than others in specific cases.

Fourthly, having looked at all the spectrum of factors affecting propensity to export, it may be important to identify the relative importance of firms' characteristics, and decision-makers' characteristics. In certain cases firms' characteristics can be more important and in other ones decision-maker's characteristics are more important. It would have been good previously to define which one was more important in the process of internationalisation of SME(s). For example, in the present study the firms' variables were considered important.

Finally, other and new variables should be considered, because they can play a more relevant role in determining the propensity to export.

8.6.2.2 – From an Empirical Point of View

Several practical implications for firms, decision-makers (managers) and government officials can be drawn from the present study, although these should be regarded with caution taking into account the above limitations.

From a Firm's Point of View - the study considers the variables, firms' size, competitive advantages and finally technology intensiveness.

Firms' size was measured in terms of number of employees. We considered this measure the most adequate by the reasons referred to in Chapter 2. However, other measures could be considered.

In our study, the size of the Portuguese firms is not responsible for the propensity to export. This means that the bigger firms do not have more propensity to export than the smaller ones. However, in spite of this finding it is consistent with conclusions arrived at in

previous research evidence, such as the studies of Hunt et al. (1967; Hirsch and Adar (1974); Reid (1982); Czinkota and Johnston (1983); Perkett (1963); Tookey (1983); Burton and Schlegelmilch (1987); Cavusgil and Naor (1987); and Christensen et al., (1987) none of which seemed to be in disadvantage. Nowadays, the small firms are more flexible and are able to respond quicker to the solicitations of the globalisation of the world. Therefore a key recommendation is that the decision-makers should measure the variable for firm size accordingly.

Technology Intensiveness of the Firm - Technology intensiveness of the firm may be used as a screening tool for identifying which firms have more potential to export. Technology intensiveness determines competitiveness. However, it does not seem to be the technology that is the most important element. Textiles do not require sophisticated technology. Technology can be acquired easily for the most industrialised countries and what happens is the production becomes transferred from countries, like Portugal, where the labour becomes more expensive, to the countries with the cheapest labour, such as China, India and Pakistan. All the products that do not require sophisticated technology can be obtained from other countries more cheaply. If you look with more attention at the statistical results obtained in our study, we conclude that any evidences can be inferred. Furthermore, the majority of the firms installed in Portugal and the United Kingdom are technologically well prepared. This is a sector which competes essentially with intensive cheap labour. Therefore, we must know exactly, what is the weight of the technology in the process of internationalisation of SME(s). We must not forget that we are working with aggregate data for textiles, clothing and knitwear. It appears to us that the weight of the technology in each one of three sectors is not exactly the same.

Managerial Implications - A number of important managerial implications can be identified on the basis of the findings of the study. Without doubt, the decision-maker is the central figure in the process of internationalisation of SME(s). As we have seen before

(Chapter 6 and 7) the majority of them have a good level of education, technical preparation, and a knowledge of international languages. However, these attributes alone are unlikely to lead to a continuous and successful process of internationalisation. Hence, their personnel attributes must be combined with a number of other factors, such as:

Knowledge Acquisition and Management - As we know knowledge plays a fundamental part in the process of internationalisation (Reid 1981). Hence, the challenge for the decision-makers is to keep and develop high levels of knowledge, skills, resources and capabilities to cooperate with external environments. The globalisation of the world demands update of the knowledge. Knowledge acquisition takes time. Then, the best way may be to have contract staff outside of the firm, or to establish different kinds of networks in different areas to sort out the problem. Then, we would recommend that the managers working with internationalisation should continuously review and improve the firm's knowledge base having consideration of external opportunities.

However, in our study the lack of significance in the relationship between decision-makers' level of education and propensity to export does not mean that the management of the SME(s) should forget this important variable. This is an old and traditional sector that should go further, and should compete in marketing and create its own brands, and forget the competition based on cheap labour. This is the real qualitative jump that they should be given. It is only with qualified workers that they can make this jump.

Number of Languages Spoken – In spite of the results acquired in our study indicating that the language is not a determinant in the process of internationalisation, everybody knows that the knowledge of foreign languages is one of the most important variables in the process of internationalisation of firms. Employees with a limited knowledge of foreign languages, especially English, may cause problems at the normal development of the

business. Hence, findings strongly recommend that any company should not employ any one in the export department that do not have a good knowledge of foreign languages, especially English. English is the most important language in international business. Second, the employees that do not have this knowledge should improve it in order to get a good knowledge and command of the language.

In spite of the results arrived at in statistical analysis that they should be undertaken with some precaution, we are in a position to affirm that the knowledge of foreign languages by decision-makers is an important variable for the propensity to export.

Networks Agreement - The companies should join and establish network agreement in order to develop programmes of Investigation & Development. Hence, they could maximise the profits and minimize the costs, reducing the high risk involved in researches. The help of the government is fundamental in this kind of research which will ultimately benefit society.

Profitability - Exporting does not necessarily result in higher profitability relative to domestic markets. It is also a measure of the firm's competitiveness. Exports make the firms more competitive domestically as a result of increased sales overseas. Furthermore, sales overseas improved the quality and knowledge of managers. Next, the firms would not be affected as much by domestic fluctuations as they would be if they did not export. Finally, it can reduce the cost of each unit produced because the firm is using all the productive capacity available. Therefore, a key recommendation is that decision-makers should explore all these issues connected to profitability and try to understand their impact in the firm's life, and not look at profitability a simply finance variable.

Firms Cycle Life - The firms of both countries are in different stages of their cycle life. Up to now, the Portuguese's firms were producing on the base of cheap labour while the United Kingdom's firms are a step further than the Portuguese ones. They have moved

their production to foreign countries while the Portuguese have just now begun to move their production to foreign countries. Hence, UK firms are more concentrated on issues connected with marketing and brand than with production. In Portugal the marketing issues are only now beginning. Further studies should look at variables connected to marketing and brand.

Implications for Public Policy Makers - From a public policy point-of-view, the principal implication is that different export encouragement strategies need to be developed for firms, depending on the percentage of sales exported. Thus, small to medium-sized companies that export a small percentage of their sales in general have a negative view of the profitability and risk of exporting. Low-percentage firms do not see any specific problem with exporting, perhaps because they have not had exposure to many problems. Finally, the situation for high-percentage firms is just the opposite. They view exporting as more profitable and less risky (Czinkota and Ursic, 1991).

The present study provides some guidance to policy makers in Portugal and in the United Kingdom. Knowledge-based programmes may become an important part of governmental overseas policies. Hence, Portuguese and United Kingdom governments should stimulate and support SME(s) internationalisation demands through a cohesive package of policy measures. There is a need for an integrated government approach, to include higher education, legislative packages, business support measures and export advertising. This approach would provide internationally oriented startups with the stability and support required for this kind of operation. Furthermore, public export promotion administrators may find it advisable to prioritize the provision of information about foreign markets and operations. In addition, further attention maybe paid to the design and implementation of training programmes and export marketing education among business practitioners. Finally, the development of such a policy could be considered in the context of major programmes and general management education organized under the aegis of the EU.

Public-sector export assistance programs from both governments should reach each type of firms individually. For example in firms with a low-percentage of experts the value of exporting should be stressed in general terms to provoke an awareness of and interest in exporting. The other ones with high percentages, on the other hand, need more concrete help. In particular, these high-percentage firms have specific problems with sales effort, pricing, and information gathering. Assistance areas could include help in marketing the product abroad, and conducting and disseminating market research. (Czinkota and Ursic, 1991).

The Portuguese government and export assistance agencies should seriously consider the poor export competitive position of the Portuguese textile, clothing and knitwear SME(s). Attempts should be made in order to help to create brands and develop a programme of marketing appropriate.

Then, the United Kingdom government should develop assistance in order to project the English brands overseas, which may be linked to fashion based products such as in Italy.

Since managerial variables appear to play a very important part in the process of internationalisation, measures to improve managerial perceptions of exporting may lead to increased motivation to export from the United Kingdom and Portuguese SME(s).

8.6.2.3 - Recommendations to the Universities and Institutes

Several pertinent recommendations can be made regarding the role of these institutions. Hence, it is suggested that all the universities and institutes that offer courses in these areas should increase their efforts in order to provide adequate provision in order to fill the gaps in these areas. Secondly, they should establish more contact with the SME(s) in order to bring together theory and practice. Thirdly, efforts should be made in order to stimulate the

entrepreneurial attitude of the students in the sector. Finally, it should be made part of the classifications of the universities and institutes "how successful the students were in their business after leaving the school".

8.7 - Directions for Further Research

The research presented here demonstrates the critical role of personal factors in initiating and driving the internationalisation process of an SME(s). The impact of firms' and decision-makers' characteristics revealed in this work are not new. However, as they have not received the attention necessary, subsequently, it could be argued that considerable room for conceptual development remains. As Johanson and Vahlne (1990:22) in a review of their work conclude: "Although the internationalisation process has captured the interest of many researchers, there have only been a few attempts at developing the concept". Hence, this project has revealed a number of areas where further researches would be desirable in helping to develop knowledge. These areas should be pursued by investigators interested in exploring these specific topics. The principal areas are:

8.7.1 - Conceptually

According to Popper (1990) there is nothing more practical than a good theory. It should be able to explain and predict real world phenomena. Although we attempted to present a fairly comprehensive resource-based theory about the internationalisation of the firms, it was not possible. Each one of the theories offered insights into understanding the phenomenon but do not explain it completely. Hence, future research should explore the arguments of each theory and provide more views for a better understanding of the phenomenon.

Secondly, similar reviews should be carried out on other aspects of international entrepreneurship, such as facilitating and inhibiting forces, impediment factors and performance ingredients. Such efforts will help tremendously in pushing the international entrepreneurship paradigm towards a more advanced stage of development.

Measures should be taken to increase the quantity of theory published about the international environment, internationalisation and international entrepreneurship, networks, firms and decision-makers' characteristics that can affect the process of internationalisation of SME(s).

In order to improve our knowledge about export literature there is a need to improve research design by framing new research questions based on previous findings. The framework developed in this study utilised a large number of variables as can be seen in figure (4.4). However, these variables could be extended to other areas, such as the international environment, stimulus, competitor strategies and export policy, among others.

There is a need to develop measurement scales that are more powerful than the present scales used in exporting marketing studies, because they are much too discrete and not powerful enough.

8.7.2 – Methodologically

The present research used quantitative research method. This was the research method considered most suitable in the present circumstances. However, in future qualitative research could be used, or both methods for data collection aspects connected with the internationalisation could be considered.

In this research, many variables were connected with decision-makers' subjective characteristics. The variables involved questions such as risk, costs, benefits and

commitment. All these variables are extremely difficult to measure and new approaches should be sought.

This study was realised across a "cross-sectional" analyse. The variables under study were studied statically. Hence, it is extremely important that future studies look at this problem using longitudinal studies. The study should be investigated by a longitudinal design spanning, at least five years of ventures, thus gaining a richer understanding of the dynamics and complexity of the relationship.

An important orientation for further research is to replicate the principal features of this study within different regions, and/or different countries

8.7.3 - Empirically

In future this study should be replicated in other international business environments in order to test the external validity of the present findings. It should also be replicated in other countries (ones more developed and others less developed) in order to see if the results could be generalised in other contexts. These replications could be very helpful in order to develop knowledge and consequently theoretical knowledge in this area. This research investigated three similar sectors (textile/clothing and knitwear). Nonetheless, future research could be confined to only one of the three sectors in order to understand if there are significant differences among them.

Further research should investigate more specifically what knowledge, skills and abilities are acquired experientially, and what their behavioural consequences are. A promising avenue along these lines is to examine the relationship between top managers' international experience and the formation of geocentric attitudes (Calof and Beamish, 1994; Kobrin, 1994; Perlmutter, 1969)

Future studies would contribute to existing knowledge by incorporating export dependence into the analysis of export performance.

The principal motivation to get a firm to increase its exports is through a profit advantage of international activities over domestic activities. The firms and therefore their decision-makers should not be reactive in their export activities by emphasizing them only when a decrease in domestic sales occurs, but rather be proactive, by continuously seeking out profitable international opportunities.

Given the interest in SME(s) internationalisation, future research should seek to identify and explain if the behaviour of SME(s) is different from larger firms, and if so, in which way. Hence, further comparative investigations are required across a variety of sectors.

Finally, with regard to future research, more studies should be commissioned on international entrepreneurship, taking into consideration the theoretical and methodological guidelines developed in the present review.

8.8 - Contributions of the Study

This study makes the following contributions:

Firstly, it develops the principal literature review that is connected to the main theories of internationalisation SME(s). These include: the eclectic paradigm, Uppsala school, cultural distance/psychic view, network view and internationalisation entrepreneurship approach.

Secondly, it analysed, emphasised and summarised the principal contributions of each theory to the process of internationalisation of SME(s).

Thirdly, it builds a conceptual model, theory, and hypothesis, where it highlights the firm's characteristics, decision-makers' characteristics and the effects of new venture firm's

international expansion activities. It allows an understanding of the traditional process of internationalisation followed by several SME(s).

Fourthly, it builds a model that emphasise the importance of environment in the theories of internationalisation of SMEs.

Fifthly, it contributes to a knowledge and understanding of which is the process of internationalisation of Portuguese and United Kingdom textile, clothing and knitwear SME(s).

Finally, it contributes to a better knowledge of Portuguese's and United Kingdom's SME(s) as well as the characteristics of Portuguese and the United Kingdom decision-makers.

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APPENDICES

APPENDICES A

Tables

Table - Eclectic-Paradigm

| Theoretical Framework | Authors (Date) | Research Focus and Main Findings |
|---|------------------------|---|
| MAIN LITERATURE ON INTERNATIONALISA TION | | |
| Eclectic-Paradigm | Dunning (1980,1988) | The Eclectic paradigm focus on MNEs and not in SMES. Then their very limited contribution to SMEs. According to the author ownership advantage, locational advantages and international advantages influence a firm’s choice of entry-mode |

Source: Elaborated by the author

Table: - Uppsala-School or Stages View

| Theoretical Framework | Authors (Date) | Research Focus and Main Findings |
|---|------------------------------|---|
| MAIN LITERATURE ON INTERNATIONALISA TION | | |
| Uppsala-School or Stages View | Johanson & Vahlne (1990) | The Uppsala School has provided a general conceptualisation of SME(s) internalisation. In spite of all the criticism, it is extremely valid in the situation of an unilinear process. It is principally used to explain why firms that do not have international experience, knowledge and resources go about the process of internationalisation. It allows them to acquire knowledge so as they may simultaneously reduce risks. |
| | Dalli, D. (1994) | Examined export strategy as a development process towards foreign markets. The author found that firms can follow multiple strategies within each stage. They are categorised as (1) incremental internationalisation and (2) export experience and internal formalisation. Concludes that the stages model of internationalisation is easily supported, but calls for future models of export analysis to allow for dynamic analysis. |

| | | |
|---|---|---|
| <p>Uppsala-School or Stages View</p> | <p>Hyvaerinen, L. (1994)</p> | <p>Examined the internationalisation process in terms of commitment, innovation and internationalisation patterns.</p> |
| | <p>Chetty and Hamilton (1996)</p> | <p>Confirmed a incremental internationalisation process based on Luostarinen and Welch (1990) however, notes the particular importance of imports in initiating the Finnish SME(s) internationalisation process. Showed level of commitment to internationalisation is usually low and innovations are rare in SME(s) internationalisation.</p> |
| | <p>Gankema, Snuif and Dijken (1998)</p> | <p>Attempted to explain the causal process of exporting in owner-controlled firms based on Reid,s stage model (1981). Found general support for Reid (1981). Also identified other causal factors influencing the exporting process including relative technological sophistication, firm size, and domestic market environment.</p> |

Hyvaerinen, L. (1994)

Gankema, Snuif and
Dijken
(1998)

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Source: Elaborated by the author

Table - Cultural Dimensions / Psychic Distinctive view

| Theoretical Framework | Authors (Date) | Research Focus and Main Findings |
|---|--|---|
| MAIN LITERATURE ON INTERNATIONALISATION | | |
| Cultural Dimensions / Psychic Distinctive view | Bilkey and Tesar (1977) | Firms that pretend exporting should direct the firm's initial export efforts to psychologically nearby countries, and later extend exporting to psychologically more distant markets. |
| | Johanson and Vahlne (1990) | First firms must start their internationalisation by going to these markets which they can easily understand, and later extend progressively to more distant markets. |
| | Johanson and Vahlne, (1990) O' Grade and Lane, (1996) Nielson et al., (1999). | The stages and psychic distance approaches, look at internationalisation as a managerial process based on a sequential internationalisation process. The, firms initiate their process of internationalisation in nearby countries and subsequently enter foreign markets at a successively greater "psychic distance". |

Source: Elaborated by the author

Table A4 – Network View

| Theoretical Framework | Authors (Date) | Research Focus and Main Findings |
|---|-------------------------------|---|
| MAIN LITERATURE ON INTERNATIONALISA TION | | |
| Network View | Birley (1985) | External networks increase an actor's capacity to access resources. |
| | Johanson & Mattsson (1986) | The characteristics of the networks can be responsible for the process of internationalisation. |
| | Aldrich & Zimmer (1986) | Social networks provide information, other kinds of non-material support, and financial support to former entrepreneurs |
| | Johannisson (1986) | New entrepreneurs are particularly dependent on their personal networks |
| | Johanson & Mattsson (1986) | The characteristics of the networks can be responsible for the process of internationalisation |
| | Butler & Hansen (1991) | External networks increase an actor's capacity to access resources |

| | | |
|---------------------|---|--|
| Network View | Johanson, J. & Vahlne, J. E. (1992) | Examined case studies about the process of internationalisation. The empirical studies have shown how the development of firms operations in overseas markets has been influenced by the relationships gradually developed in that specific market |
| | Axelsson, B. & Easton, G. (1992) & Bridgewater, S. (1992) | Network theory can offer a fresh perspective on the internalisation process of small firms. Particularly of these firms whose development tends to be dependent on relationship with others. |
| | Keeble, Bryson , & Wood (1992) | Networks improve the ability of small firm to compete |
| | Bonaccorsi, A. (1992) | The social network allows small firms trade information with one another. The process of trade information throughout social networks can lead small firms imitating one another and speeding up export entry |
| | Gibb (1983) | The networks can give the complementary skills and resources that small enterprises need and that are essential for their competitiveness and survival in the market. |
| | Curran et al., (1993) | External networks are a way of getting information. |
| | Brown and Bell (2001) | The information provide by networks is fundamental for identifying entrepreneurial opportunities that warrant founding a business and ensuring the success of the business |
| | McDougal, Shane & Oviatt (1994) | Due to networks the entrepreneurs see opportunities that the others do not see, and this allow them to engage in international business from the time of firm formation. |

| | | |
|---------------------|--|--|
| Network View | Oviatt and McDougall (1994) | According to these two authors, networks permit SMEs to engage in rapid expansion into several overseas markets by concentrating in particular activities such as distribution and logistics in some markets and with sales and after-sales handled by partners in other markets. |
| | Granovetter (1995) | Social networks provide information, other kinds of non-material support, and financial support former entrepreneurs |
| | Bell (1995) | A cross national study into the export behaviour of small computer software firms in Finland, Ireland and Norway.Evidence of client follower ship and indications that some firms initiated exporting because of contacts with foreign suppliers do offer a plausible explanation as to how and why software firms with such networks internationalised. |
| | Ozcan (1995) | External networks increase an actor's capacity to access resources. Examined the emtrepreneurial high technology firm's approach to international market development. Found foreign market selection and entry initiatives come from opportunities created through formal and informal networks contacts. |
| | Coviello, N. E. & Munro, H. J. (1995) | Found network relationships facilitie rapid growth and actively influence the internationalisation process and growth pattern of the small firm. Found small software firms rely on network relationships for marketing-related activities in foreign markets |
| | O'Farrel et al., (1998) Korhonen et al., (1996 | These authors support the point of view of Bell (1995) suggesting that interfirm relationships are influenced on the internationalisation of the small high technology firm and according to them that co-operative relationships were used by 34% of SMEs at some point in the internationalisation process. |

| | | |
|---------------------|---------------------------------------|--|
| Network View | Holmlund, M. & S. Kock (1998) | Examined the impact of domestic business and social networks on SME internationalisation. Found the domestic business network will impact internationalisation, allow the SME access to information and resources, and entry to a foreign business network. SME managers were also found to rely heavily on social contacts when searching for market information. |
| | Coviello, N. & Munro, H. (1999) | Examined the influence of networks relationships on the internationalisation process of small software firms. Networks relationships can drive market expansion and development activities. This include choice of market and entry mode. |
| | Hitt, M. A. & Ireland, R. D. (2000) | The use of networks allows the firm to gain access to resources, to improve their strategic positions, to control transaction costs, to learn new skills, to gain legitimacy, and to cope positively with rapid technological changes. |
| | Alvarez, S. A. & Baeney, J. B. (2001) | Networks are fundamental for the firms to gain access to resource, to improve their strategic positions, to control transaction costs, to learn new skills, to gain legitimacy, and to cope positively with rapid technological changes |
| | Brown and Bell (2001) | The geographical clustering by SMEs highlight another type of networking that can aid internationalisation by SMEs |
| | Johanson, J. & Vahlne, J-E. (2003) | The study outlined a network model of the internationalisation of the firm. When business network structures have been built they offer opportunities for international expansion |
| Source: | Elaborated by the | author |

APPENDICES B - QUESTIONNAIRES
(B1 - PORTUGUESE AND B2 - ENGLISH VERSION)
RESPECTIVELY

O EMPENHO NA EXPORTAÇÃO E AS CARACTERÍSTICAS DOS DECISORES- MAKERS FACTORES CRITICOS DE SUCESSO

É O RESPONSÁVEL PELA EXPORTAÇÃO NA SUA EMPRESA ?

SIM 0

NÃO 0

Se a sua empresa exporta com frequência, mas você não é o responsável pelas decisões nesta área , por favor dê este questionário à pessoa que o seja.

Por favor responda às perguntas seguintes. As suas respostas serão consideradas estritamente confidenciais.

CARACTERÍSTICAS DA EMPRESA

1. Há quantos anos a sua empresa se encontra em elaboração ? (anos)
2. Há quantos anos a sua empresa exporta ? (anos)
3. Para quantos países a sua empresa exporta ?
4. Quantos empregados a tempo inteiro, ou equivalentes a tempo inteiro, tem a sua empresa neste momento ?
5. Quantos empregados estão diretamente envolvidos na exportação ?

6. Como descreveria a sua empresa relativamente aos melhores fornecedores / produtores do mercado, nos seguintes itens ?

(Por favor assinale apenas uma resposta em cada item)

| | Muito Pobre | Pobre | Suficiente | Bom | Muito Bom |
|--|-------------|-------|------------|-----|-----------|
| a) Qualidade do produto. | 0 | 0 | 0 | 0 | 0 |
| b) Capacidade para desenvolver novos produtos. | 0 | 0 | 0 | 0 | 0 |
| c) Capacidade para melhorar os produtos. | 0 | 0 | 0 | 0 | 0 |
| d) Design/desenho dos produtos. | 0 | 0 | 0 | 0 | 0 |
| e) Preço. | 0 | 0 | 0 | 0 | 0 |
| 7. Como descreveria a solidez da patente/licença/design/direitos de autor/de propriedade industrial da sua empresa (se tal for aplicável á sua empresa) | 0 | 0 | 0 | 0 | 0 |

(se este item não se aplica á sua empresa, passe para a pergunta 8)

PRODUÇÃO

8. Quais são os principais produtos fabricados pela sua empresa ?
.....
9. Como é que descreveria o principal produto da sua empresa no mercado português e estrangeiro ?

| | Mercado Português | Mercado Estrangeiro | | | |
|--|----------------------|------------------------|-----------------|----------|----------------|
| a) Mais ou menos igual para todos os clientes. | θ | θ | | | |
| b) Desenhado/produzido para ir ao encontro das necessidades de cada cliente. | θ | θ | | | |
| 10. Quantos produto novos, desenvolvidos pela sua empresa, exportou nos últimos 5 anos? | <div></div> | novos produtos | | | |
| 11. Tem a sua empresa um departamento de controlo de qualidade? | Sim θ | Não θ | | | |
| 12. Se a sua resposta foi sim , como é que o descreve relativamente à sua contribuição para a qualidade dos produtos ? <i>(Se a sua resposta foi não passe para a pergunta 13)</i> | Medíocre θ | Insuficiente θ | Suficiente θ | Bom θ | Muito Bom θ |
| 13. Qual a natureza dos vossos métodos de produção? <i>(escolha apenas uma resposta)</i> | | | | | |
| a) Elevado trabalho manual intenso. | θ | | | | |
| b) Trabalho manual intenso. | θ | | | | |
| c) Igualmente divididos entre a automatização e o trabalho manual. | θ | | | | |
| d) Automatizado. | θ | | | | |
| e) Elevada automatização. | θ | | | | |
| 14. Utilizou na sua empresa novos métodos de produção nos últimos 3 anos? se a resposta for sim , indique o seu nível de concordância com as seguintes afirmações: <i>(se não passe à pergunta 15)</i> | | | | | |

| | Discordo Totalmente | Discord | Não concordo nem discordo | Concord | Concordo totalment |
|---|------------------------|---------|---------------------------------|---------|-----------------------|
| a) Utilizámos novas matérias-primas. | 0 | 0 | 0 | 0 | 0 |
| b) Utilizámos novo equipamento informático. | 0 | 0 | 0 | 0 | 0 |
| c) Implementámos a robotização. | 0 | 0 | 0 | 0 | 0 |
| d) Implementámos a automatização do processo de produção. | 0 | 0 | 0 | 0 | 0 |
| e) Implementámos as aplicações laser. | 0 | 0 | 0 | 0 | 0 |
| f) Outros métodos (p.f. especifique) | | | | | |
| | | | | | |

DESEMPENHO DA EXPORTAÇÃO

15. Qual é a percentagem de vendas da sua empresa para o mercado nacional e internacional respectiva

Mercado Nacional %
 Mercado Internacional %
 (O total dos 2 valores deverá somar 100%)

16.

| | Diminuíra muito | Diminuíram | Mantiveram- se constante | Aumentaram | Aumentaram muito |
|--|--------------------|------------|-----------------------------|------------|---------------------|
| Nos últimos 5 anos, o que é que aconteceu às vendas para o exterior? | 0 | 0 | 0 | 0 | 0 |

*(escolha apenas uma
resposta)*

17. Se as exportações aumentaram ou diminuíram, qual é a percentagem aproximada desse aumento ou decréscimo? %

CARACTERÍSTICAS DECISORES

18. Que idade tem? anos

19. Diga qual o último nível de habilitações que completou ? : *(escolha apenas uma resposta)*

| | | | |
|-----------------------------------|----------|---------------------------------|----------|
| ensino primário | θ | Licenciatura | θ |
| 9 ano de escolaridade | θ | Master / MBA ou Doutoramento | θ |
| 11 ano de escolaridade | θ | Qualificações Profissionais | θ |
| Curso de formação profissional | θ | Outras (diga qual) | θ |

20. Indique quantas línguas estrangeiras fala
(se nenhuma passa á pergunta 22)

Figure 1. A schematic diagram illustrating the experimental design. The first part shows the two conditions used in the experiment. In the second part, the sequence of events during each trial is shown.

21. Qual é o seu nível de conhecimento das seguintes línguas?

| | | Nenhum Conhecimento | Pouco Conhecimento | Conhecimento Razoável | Bom | Excelente |
|----|----------|------------------------|-----------------------|--------------------------|-----|-----------|
| a) | Francês | 0 | 0 | 0 | 0 | 0 |
| b) | Espanhol | 0 | 0 | 0 | 0 | 0 |
| c) | Alemão | 0 | 0 | 0 | 0 | 0 |
| d) | Inglês | 0 | 0 | 0 | 0 | 0 |

22. Alguma vez viveu no estrangeiro ?

Sim θ

Não θ

23. Se a resposta for sim, durante quanto tempo?

7

anos

24. Onde nasceu ?

Reino Unido 0

Portugal θ

Outro θ diga qual.....

De forma a compreender alguns dos pontos de vista dos administradores/gestores, por favor indique o seu grau de concordância com as seguintes declarações:

25. A exportação é arriscada devido a:

| | Discordo Totalment | Discord | Não Concord Nem Discord | Concord | Concord Totalme |
|--|-----------------------|---------|----------------------------------|---------|--------------------|
| a) Informações erradas sobre o mercado. | 0 | 0 | 0 | 0 | 0 |
| b) Regulamentação estrangeira sobre importação confusa. | 0 | 0 | 0 | 0 | 0 |
| c) Desconhecimento das práticas comerciais estrangeiras. | 0 | 0 | 0 | 0 | 0 |
| d) Falta de pagamento dos bens. | 0 | 0 | 0 | 0 | 0 |
| e) Acontecimentos políticos adversos no estrangeiro. | 0 | 0 | 0 | 0 | 0 |
| f) Possibilidade de perda de integridade da marca comercial. | 0 | 0 | 0 | 0 | 0 |

26. Os custos da exportação são superiores ao associados ao comércio interno devido a:

| | Discordo Totalment | Discord | Não Concord Nem discordo | Concord | Concorde Totalment |
|---|-----------------------|---------|-----------------------------------|---------|-----------------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) Elevados custos de distribuição. | 0 | 0 | 0 | 0 | 0 |
| b) Elevados custos legais e administrativos. | 0 | 0 | 0 | 0 | 0 |
| c) Necessidade de cash-flow elevados. | 0 | 0 | 0 | 0 | 0 |
| d) Elevados custos financeiros. | 0 | 0 | 0 | 0 | 0 |
| e) Custos com pagamentos adicionais de seguros. | 0 | 0 | 0 | 0 | 0 |
| f) Custos adicionais com os riscos causados pelas bolsas de valores estrangeiras. | 0 | 0 | 0 | 0 | 0 |
| g) Elevados custos com informação (recolha). | 0 | 0 | 0 | 0 | 0 |

27. Os benefícios da exportação são:

| | | | | | |
|---|---|---|---|---|---|
| a) Ultrapassar um mercado interno limitado. | 0 | 0 | 0 | 0 | 0 |
| b) Aumentar o lucro global da empresa. | 0 | 0 | 0 | 0 | 0 |
| c) Diminuir o impacto das variações negativas do mercado interno. | 0 | 0 | 0 | 0 | 0 |
| d) Explorar economias de escala. | 0 | 0 | 0 | 0 | 0 |
| e) Permitir à empresa diversificar os seus mercados. | 0 | 0 | 0 | 0 | 0 |
| f) Dá uma imagem de prestígio á nossa empresa. | 0 | 0 | 0 | 0 | 0 |
| g) Permite a empresa vender os excessos de produção. | 0 | 0 | 0 | 0 | 0 |

COMPRIMISSO COM EXPORTAÇÃO

Indique o seu grau de concordância com as seguintes afirmações, acerca do grau de empenho da sua empresa na exportação.

| 28. Plano de actividades de exportação: | Discordo Totalment | Discord | Não Concord Nem discordo | Concord | Concordo Totalment |
|---|-----------------------|---------|-----------------------------------|---------|--|
| a) É o nosso administrador principal que concebe o plano director nesta área. | 0 | 0 | 0 | 0 | 0 |
| b) Recebemos conhecimento e experiência de diferentes níveis do nosso pessoal. | 0 | 0 | 0 | 0 | 0 |
| c) Os nossos planos são delineados e depois revistos e reconsiderados regularmente. | 0 | 0 | 0 | 0 | 0 |
| d) Providenciamos treino para ajudar a efectivar o nosso plano de exportação. | 0 | 0 | 0 | 0 | 0 |
| e) Utilizamos incentivos e motivações para encorajar um bom planeamento das actividades viradas para a exportação. | 0 | 0 | 0 | 0 | 0 |
| f) Utilizamos tempo suficiente para formular o nosso plano de exportação. | 0 | 0 | 0 | 0 | 0 |
| 29. Na promoção internacional nós ; | | | | | |
| a) Visitamos clientes estrangeiros. | 0 | 0 | 0 | 0 | 0 |
| b) Frequentamos exposições / feiras internac. comércio. | 0 | 0 | 0 | 0 | 0 |
| c) Convidamos clientes estrangeiros a visitar as fábricas e escritórios. | 0 | 0 | 0 | 0 | 0 |
| d) Enviamos catálogos. | 0 | 0 | 0 | 0 | 0 |
| e) Enviamos amostras grátis / ofertas. | 0 | 0 | 0 | 0 | 0 |
| f) Oferecemos descontos / reduções de preço. | 0 | 0 | 0 | 0 | 0 |
| g) Publicidade. | 0 | 0 | 0 | 0 | 0 |
| 30. Qual é o valor percentual aproximado dos gastos com promoção internacional relativamente ao total de vendas para exportação ? | | | | | <div style="border: 1px solid black; padding: 2px; display: inline-block;">%</div> |

Para podermos avaliar a importância do departamento de exportação na sua empresa, por favor indique-nos de que forma concorda ou discorda com as seguintes afirmações:

| 31. No nosso departamento: | Discordo Totalment | Discord | Não Concord Nem Discordo | Concord | Concordo totalmen |
|---|-----------------------|---------|-----------------------------------|---------|----------------------|
| a) O pessoal do departamento de exportação da empresa é suficiente. | 0 | 0 | 0 | 0 | 0 |

- | | | | | | |
|--|----------|----------|----------|----------|----------|
| b) Uma parte suficiente do tempo do director geral é dedicada ao departamento de exportação. | θ | θ | θ | θ | θ |
| c) O número de empregados no departamento de exportação é suficiente para uma eventual expansão dos nossos negócios a outros países. | θ | θ | θ | θ | θ |
| d) O nosso pessoal é qualificado para as actividades internacionais. | θ | θ | θ | θ | θ |
| e) A proporção de empregados no departamento de exportação relativamente ao total de funcionários é suficiente. | θ | θ | θ | θ | θ |

Se tiver algum comentário a fazer relativamente a algum dos temas abordados no questionário, por favor escreva-o neste espaço. Se for necessário junte uma folha em separado.

Se quiser ser informado sobre os resultados deste estudo, por favor dê-nos os seus dados pessoais:

Nome:

Nome da empresa:

Morada:

Cidade..... País: Código Postal:

Muito obrigado pela sua participação neste estudo.

Por favor devolva-nos o survey até ao fim do mes, utilizando o envelope fornecido para o efeito.
Este não necessita de ser selado.

EXPORT COMMITMENT AND CHARACTERISTICS OF DECISION-MAKERS

CRITICAL FACTORS FOR SUCCESS

ARE YOU THE PERSON RESPONSIBLE FOR THE EXPORTING IN YOUR COMPANY?

Yes 0 No 0

If the answer is **NO** but your company currently exports, please pass this questionnaire onto the person responsible for exporting decisions.

PLEASE ANSWER ALL THE QUESTIONS BELOW. YOUR ANSWERS WILL BE TREATED AS STRICTLY CONFIDENTIAL.

FIRM CHARACTERISTICS

1. How many years has your company been operating? (years)
2. How many years has your company been engaged in exporting? (years)
3. How many countries does your company export to?
4. How many full-time or full-time equivalent employees does the company presently employ?
5. How many employees are directly involved in exporting?
6. How would you describe your company relative to the best suppliers/producers in the market in the following areas? *(Please tick one box only)*

| | Very Poor | Poor | Average | Good | Very Good |
|------------------------------------|-----------|------|---------|------|-----------|
| a) Product quality | 0 | 0 | 0 | 0 | 0 |
| b) Ability to develop new products | 0 | 0 | 0 | 0 | 0 |
| c) Ability to improve products | 0 | 0 | 0 | 0 | 0 |
| d) Design of products | 0 | 0 | 0 | 0 | 0 |
| e) Price | 0 | 0 | 0 | 0 | 0 |
7. How would you describe the strength of your company's patent/licence/design/copyright (if applicable)
(if not applicable go to question 8)

| | | | | | |
|--|---|---|---|---|---|
| | 0 | 0 | 0 | 0 | 0 |
|--|---|---|---|---|---|

PRODUCTION

8. What are the main products made by your company?

9. How would you describe your company's main product across both U.K. and Foreign markets?

| | UK Market | Foreign Market |
|---|----------------------|----------------|
| a) More or less standard for all customers | 0 | 0 |
| b) Designed / produced to meet customer specifications | 0 | 0 |
| 10. How many new products, developed by your firm, have you exported during the last 5 years? | <input type="text"/> | new products |

11. Does your company have a quality control department? Yes 0 No 0

| | Very Poor | Poor | Average | Good | Very Good |
|--|-----------|------|---------|------|-----------|
| 12. If your answer to Q11 is "Yes", how would you describe the department in terms of its contribution to the quality of your products? (if "No" go to Question 13) | 0 | 0 | 0 | 0 | 0 |

13. Which best describes the nature of your production methods? (please tick one box only)

| | |
|---|---|
| a) High Labour Intensive | 0 |
| b) Labour Intensive | 0 |
| c) Equally split between Labour Intensive and Automated | 0 |
| d) Automated | 0 |
| e) Highly Automated | 0 |

14. If your company has used new production methods in the last three years, please indicate your level of agreement with the following statements: (if "not" please go to question 15)

| | Strongly Disagree | Disagree | Neither Disagree Nor Agree | Agree | Strongly Agree |
|--|-------------------|----------|----------------------------|-------|----------------|
| a) we have used new raw material | 0 | 0 | 0 | 0 | 0 |
| b) we have used new informatic equipment | 0 | 0 | 0 | 0 | 0 |
| c) we have implemented robotisation | 0 | 0 | 0 | 0 | 0 |
| d) we have implemented automation process production | 0 | 0 | 0 | 0 | 0 |
| e) we have implemented application laser | 0 | 0 | 0 | 0 | 0 |
| f) other methods (please specify) | | | | | |

EXPORT PERFORMANCE

15. What is the percentage of your sales for the national and international markets?

National Market

% (total figures should add up to 100 per cent)

International Market

%

16.

Over the last five years, total export sales have:

Greatly Decreased

0

Decreased

0

Remained Unchanged

0

Increased

0

Greatly Increased

0

(tick one box only)

17. If exports have decreased or increased, by approximately how much?
%

DECISION-MAKER CHARACTERISTICS

18. How old are you? years

19. Indicate the last grade you completed in school/college/university: (tick one box only)

No formal qualifications

0

Degree

0

'O' levels / GCSEs

0

Postgraduate qualification

0

'A' levels / ONC

0

Vocational qualification

0

HNC / HND (subject)

0

Others

0

20. Please indicate how many foreign languages you speak

(If none go to question 21)

21. How well do you speak the following languages?

| | Not Competent | Poor Competence | Fair | Good Competence | Excellent Competence |
|---------------|------------------|--------------------|------|--------------------|-------------------------|
| a) French | 0 | 0 | 0 | 0 | 0 |
| b) Spanish | 0 | 0 | 0 | 0 | 0 |
| c) German | 0 | 0 | 0 | 0 | 0 |
| d) Portuguese | 0 | 0 | 0 | 0 | 0 |

22. Have you ever lived abroad? Yes 0 No 0

23. If the answer is Yes, for how long in total ? years

24. Where were you born?

U.K. 0 Portugal 0 Other 0 *please specify.....*

In order to help us to understand your management views, please indicate your level of agreement with the following statements:

| | Strong. Disagre | Disagr. | Neither Disagree Nor Agree | Agree | Strong. Agree |
|--|--------------------|---------|----------------------------------|-------|------------------|
| 25. Exporting is risky due to: | | | | | |
| a) Incorrect market information | 0 | 0 | 0 | 0 | 0 |
| b) Confusing foreign import regulations | 0 | 0 | 0 | 0 | 0 |
| c) Unfamiliar foreign business practices | 0 | 0 | 0 | 0 | 0 |
| d) Non-payment of goods | 0 | 0 | 0 | 0 | 0 |
| e) Adverse political events overseas | 0 | 0 | 0 | 0 | 0 |
| f) Possible loss of brand integrity | 0 | 0 | 0 | 0 | 0 |

| 26. The costs of exporting are higher than those associated with domestic sales due to: | Strong. Disagre | Disag. | Neither Disagree Nor Agree | Agree | Strong. Agree |
|---|--------------------|--------|----------------------------------|-------|------------------|
| a) Higher distribution costs | 0 | 0 | 0 | 0 | 0 |
| b) Higher level and administrative costs | 0 | 0 | 0 | 0 | 0 |
| c) Higher cash-flow needs | 0 | 0 | 0 | 0 | 0 |
| d) Higher financing costs | 0 | 0 | 0 | 0 | 0 |
| e) Additional payment assurance costs | 0 | 0 | 0 | 0 | 0 |
| f) Additional foreign exchange risk costs | 0 | 0 | 0 | 0 | 0 |
| g) Higher information costs | 0 | 0 | 0 | 0 | 0 |
| 27. The benefits from exporting are: | | | | | |
| a) Overcomes a limited home market | 0 | 0 | 0 | 0 | 0 |
| b) Adds to the firm's overall profitability | 0 | 0 | 0 | 0 | 0 |
| c) Reduces the impact of domestic economic Downturn | 0 | 0 | 0 | 0 | 0 |
| d) Exploits economies of scale | 0 | 0 | 0 | 0 | 0 |
| e) Allows our firm to diversify its markets | 0 | 0 | 0 | 0 | 0 |
| f) Gives our firm a prestigious image | 0 | 0 | 0 | 0 | 0 |
| g) Allows our firm to sell off surplus production | 0 | 0 | 0 | 0 | 0 |

COMMITMENT TO EXPORTING

Please, indicate your level of agreement with the following statements about exporting in your company.

| 28. | Strong. Disag. | Disag. | Neither Disagree Nor Agree | Agree | Strong. Agree |
|--|-------------------|--------|----------------------------------|-------|------------------|
| When planning for export activities: | | | | | |
| a) Our senior management provides planning direction | 0 | 0 | 0 | 0 | 0 |
| b) We draw upon knowledge and experience from different levels of staff | 0 | 0 | 0 | 0 | 0 |
| c) Our plans are drafted and then regularly reviewed and revised | 0 | 0 | 0 | 0 | 0 |
| d) We provide training to assist in the effectiveness of our planning for export activities | 0 | 0 | 0 | 0 | 0 |
| e) We use a number of motivational incentives to encourage good planning for export activities | 0 | 0 | 0 | 0 | 0 |

| | | | | | |
|--|---|---|---|---|---|
| f) We allocate sufficient time to formulate our planning for export activities | 0 | 0 | 0 | 0 | 0 |
|--|---|---|---|---|---|

29. When promoting internationally we:

| | | | | | |
|---|---|---|---|---|---|
| a) Visit foreign customers | 0 | 0 | 0 | 0 | 0 |
| b) Attend international trade shows | 0 | 0 | 0 | 0 | 0 |
| c) Invite foreign clients to visit manufacturing plants / offices | 0 | 0 | 0 | 0 | 0 |
| d) Send out catalogues | 0 | 0 | 0 | 0 | 0 |
| e) Send free samples / gifts | 0 | 0 | 0 | 0 | 0 |
| f) Offer discounts / price reductions | 0 | 0 | 0 | 0 | 0 |
| g) Advertise | 0 | 0 | 0 | 0 | 0 |

30. Approximately, what percentage of total export sales is spent on international promotion?

%

In order to understand the export department in your company, please indicate the extent to which you agree or disagree with each of the following statements.

| | Strongly Disagree | Disag. | Neither Disagree Nor Agree | Agree | Strong. Agree |
|--|----------------------|--------|----------------------------------|-------|------------------|
| 31. In our department: | | | | | |
| a) There are sufficient staff in the export department of our company | 0 | 0 | 0 | 0 | 0 |
| b) A sufficient proportion of the Managing director time is devoted to the exporting department | 0 | 0 | 0 | 0 | 0 |
| c) The number of employees in our export department is sufficient for an eventual expansion of business in other countries | 0 | 0 | 0 | 0 | 0 |
| d) Our staff are trained in international activities | 0 | 0 | 0 | 0 | 0 |
| e) There is a sufficient proportion of export employees to total employees | 0 | 0 | 0 | 0 | 0 |

If you have any comments that you wish to express regarding this questionnaire, please write them in the space below, *(continue on a separate sheet if necessary)*.

If you would like to be informed of the results of this survey, please supply your contact details below.

Your Name:

Name of Company:

Address:

Country: Postcode:

Thank you for your participation in this project.

Please return the completed survey by the end of the months, using the enclosed
FREEPOST ENVELOPE .

APPENDIX C: INTRODUCER LETTER

**C1 - PORTUGUESE and C2 - ENGLISH VERSION
RESPECTIVELY**



Ex.mo(s) Senhores(es)

Faculty of Social Science and Business

University of Plymouth
Drake Circus
Plymouth
Devon PL4 8AA
United Kingdom

Plymouth Business School

A exportação é das áreas que mais preocupação causa nas economias. A maior parte dos países enfrenta cada vez mais problemas no controle do défice das suas balanças comerciais. Em resultado disso, há um grande interesse no estudo das razões que encorajam e facilitam a exportação pelas empresas.

A pesquisa tem sido dirigida para diversas áreas do processo de exportação.,mas aquele que toma as decisões (decision-maker) é o elemento fundamental . Ele ou ela, é a pessoa que decide quando iniciar, terminar ou aumentar a actividade económica internacional.

O objectivo deste questionário é descobrir as características daqueles que tomam decisões (decision-makers), em empresas de exportação e entender como elas afectam o comportamento na exportação. Para além disso, o questionário tentará averiguar se existem diferenças entre os exportadores ingleses e os portugueses, e desenvolver um perfil de exportadores para as pequenas e médias empresas de Portugal e do Reino Unido.

Este estudo é uma parte de importância vital do projecto de investigação. Os seus resultados acabarão por beneficiar não apenas a gestão das empresas, mas também associações dos mais variados sectores, políticas públicas e futuras pesquisas.

O questionário não deverá demorar mais do que 10 ou 15 minutos a preencher. Por favor ajude o sucesso deste trabalho dando-nos o seu ponto de vista.

As respostas serão totalmente confidenciais.

Se estiver interessado no resultado deste estudo escreva o seu nome e morada no espaço reservado para isso, na 5ta página do questionário.

Por favor devolva o questionário completo no envelope que lhe enviamos, encontrando-se este isento de sêlo e devidamente endereçado.

Terei o maior prazer em responder a quaisquer questões que possam surgir acerca desta investigação. Por favor não hesite em contactar-me em qualquer altura pelo telefone no.0044-1752-232850 (Gabinete de Pesquisa) ou por e-mail FJDS_007@hotmail.com

Obrigado pela sua colaboração

Com os melhores cumprimentos

Francisco Jose Dias Serra



**Faculty of Social Science and
Business**

University of Plymouth
Drake Circus
Plymouth
Devon PL4 8AA
United Kingdom

Plymouth Business School

DEAR

Exporting is an area of major concern of economies. Most countries face increasing problems controlling deficits in their trade balances. As a result there is substantial interest in studying the reasons that encourage and facilitate exporting by firms.

Research has been conducted in many areas of the exporting process, but the decision-maker is the key variable. He or she is the person who decides when to start, end and increase international activities.

The purpose of this questionnaire is to find out the characteristics of decision-makers in exporting companies and to understand how they affect export behaviour. Additionally, the questionnaire will attempt to verify whether there are differences between U. K. and Portuguese exporters, and to develop a profile of exporters for small and medium companies in England and Portugal.

This survey is a vital part of a major research project, and your participation is fundamental. These results will ultimately be of benefit not only to export managers, but also trade associations, public policy makers, and future researchers.

The questionnaire should not take you more than 10 to 15 minutes to complete. Please help the success of this working giving us you point of view.

Your answers will be completely confidential.

The questionnaire should not take you more than 10 to 15 minutes to complete. Please help the success of this working giving us you point of view.

Your answers will be completely confidential.

If you would like a summary of results for yourself, simply write your name and address in the space indicated on page 5 of the questionnaire.

Please return the completed questionnaire in the enclosed stamped , addressed envelope.

I will be happy to answer any questions you might have about this research . Please do not hesitate to contact me at any time on 01752-232850 telephone (Research Office) or by e-mail FJDS_007@hotmail.com

Thank you for your assistance

Yours sincerely,

Research Student: Francisco José Dias Serra

APPENDIX D: REMEMBER LETTER
D1 -PORTUGUESE and D2 - ENGLISH VERSION
RESPECTIVELY



Faculty of Social Science and Business

University of Plymouth
Drake Circus
Plymouth
Devon PL4 8AA
United Kingdom

Plymouth Business School

Ex.mo(s) Senhores(as),

Chamo-me Francisco Jose Dias Serra e sou aquele estudante que lhe escrevi a pedir que completasse um questionario sobre as actividades de exportacao da sua empresa. Este questionario e fundamental para que eu possa levar por diante e complete com sucesso o meu doutoramento. Sem a sua preciosa ajuda este trabalho nao se conclui.

Gostaria de saber se recebeu o questionario que lhe enviou ha um mes? Caso nao o tenha recebido ou o tenha perdido, anexo uma segunda copia do mesmo, juntamente com um envelope com a minha direccao e com o porte pago. Apelo a sua compreensao para a importancia da sua ajuda e assim que o tiver preenchido, por favor devolva-me-o. Nao necessitara mais de 15 minutes para responder ao questionario .

Caso esteja interessado, posso-lhe enviar um exemplar com os resultados obtidos neste estudo. Como sabe a exportacao e fundamental para o sucesso da maioria das pequenas e medias empresas. Caso esteja interessado, podera comparar os resultados alcancados na sua empresas com os resultados obtidos pelas outras empresas congengeras e pertencentes ao mesmo sector.

Toda a informacao que me enviar sera tratada estrictamente confidencial e sera utilizada para fins exclusivos de pesquisa. Nomes de pessoas ou empresas nunca serao revelados quando da publicacao desta investigacao.

Estarei ao seu inteiro dispor para responder a qualquer pergunta caso julgue necessario. Por favor nao hesite em contactarme atraves do telefone 01752 232850 ou alternativamente atraves de email **fjds 007@hotmail.com**.

Caso ja tenha preenchido o questionario e enviado, peço as minhas desculpas e ignore esta carta.

Muito obrigado pela sua atencao.

Cumprimentos

Francisco Jose Dias Serra



Faculty of Social Science and Business

University of Plymouth
Drake Circus
Plymouth
Devon PL4 8AA
United Kingdom

Plymouth Business School

Dear Sir

I am the research student who wrote to you last month asking you to complete a questionnaire about your company's export activities. This questionnaire is crucial to my PhD. study. Indeed, without your assistance in this matter my analysis in this field will not be complete. I am writing to inquire if you have received a copy of this questionnaire ? In case you did not, or have mislaid it, I enclose a second copy, along with a pre-paid envelope for your convenience, and appeal for your help by completing and returning this. The question will take only about 15 minutes to answer.

If you wish me to do so, I will send you an executive summary of my results. As exporting is so important to the success of small and medium sized companies these days, you may well find it interesting and profitable to compare your own company's performance with that of the sector in this country as a whole.

The information you give in the questionnaire will be treated with the strictest confidence, and only used for the purposes of this research: names of individual persons or companies will not be revealed in the dissemination of the research results.

I will be happy to answer any question you might have about this research. Please do not hesitate to contact me at any time at the Plymouth Business School's Research Office on 01752-232850, by e-mail <FJDS_007@hotmail.com> or for the above address.

If you have already completed and returned the questionnaire, please ignore this letter.

Thank you very much for your assistance.

Yours Sincerely

Francisco Jose Dias Serra

P.hD. Student

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